Series 2

Financing Child Care: Future Arrangements

Prepared as Background Papers for

Report of the Task Force on Child Care

Canada

Status of Women Canada
Condition féminine Canada

Financing Child Care: Future Arrangements

Prepared for

The Task Force on Child Care

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SERIES 2: FINANCING CHILD CARE: FUTURE ARRANGEMENTS

FOREWORD

The Task Force on Child Care commissioned a series of research studies designed, for the most part, to provide detailed analyses of selected issues of special relevance to child care and parental leave policies and their effects on the changing Canadian family.

The terms of reference for the Task Force called for an examination and assessment of the need for child care services and paid parental leave in Canada, and of the adequacy of the current system in meeting the perceived needs. Most of the research reports, therefore, were designed to pull together and analyze information from existing sources. However, in a number of instances, it was necessary to initiate primary research because of the absence of data in the area. Parents' Needs, Preferences, and Concerns About Child Care: Case Studies of 336 Canadian Families, and The Bottom Line: Wages and Working Conditions of Workers in the Formal Day Care Market are two such studies.

While these studies incorporate a wealth of useful information, which provided the Task Force with the basis on which to develop its arguments and recommendations, they are reflective of the views of the authors, and should not be interpreted as representing the views of the Task Force. Furthermore, the studies do not reflect the policy or the intentions of the Government of Canada.

Status of Women Canada makes these research reports available to groups, organizations and individuals wishing to explore in greater depth the Task Force report and issues relating to child care and parental leave. This reflects the department's objective of providing a broad basis for public discussion of issues relating to the equality of women in Canadian society.

Other papers published in this series are listed at the back of this publication. Copies of these papers are available by writing to:

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Toward Universality:

An Historical Overview of the Evolution of Education, Health Care, Day Care and Maternity Leave

Background Paper Submitted to the Task Force on Child Care
November, 1984
by the Domina Group

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EXECUTIVE SUMMARY

The report provides an historical overview (1867-1967) of the evolution of social policy in four areas - education, health care, maternity leave, and day care. It examines the dominant forces and groups accelerating or limiting progress in each area, and compares the major developments within these social programs.

Programs in these four areas developed against a backdrop of regional and national jurisdictional conflict, a fluctuating population and economy, attitudinal changes about the role of women and the needs of children, and national crises such as depressions and wars. Social and economic issues revolving around these social areas engaged the energies of many sectors of the public. Women's organizations, professionals, and labour groups agitated for reform. Government involvement varied from one region to another, depending on the prevailing political ideology and the economic climate.

Research by Dennis Guest identifies five major themes which shaped the historical evolution of social security programs in Canada: the shift from a residual to an institutional concept of social welfare; the concept of a social minimum; the process of defining and redefining the causes of poverty; the growth of participatory citizenship; and the impact of the British North America Act.

The first theme identifies movement in social organizations from a residual or secondary role in supporting needy individuals, to an institutional role offering programs as a defence against adversity. Thus, in the first fifty years after Confederation, the family and the private market provided primary assistance, with social agencies providing temporary emergency help. A shift occurred toward emphasis of society's duty to ensure that costs and benefits are shared by all and that more vulnerable members of society are protected from harm.

The second theme embodies the realization that a civilized society ensures certain minimum conditions without which health, decency, happiness and a "chance in life" are impossible. The notion of a social minimum in education, health, and measures for working women such as maternity leave and day care, evolved as ideas about the public good, social justice, and quality care developed.

The third theme is based on the theory that, with greater awareness of the true nature of poverty and social need, prejudicial attitudes change and the groundwork laid for new programs.

The fourth theme looks at increased public interest in the form, content and operation of programs. Client groups organized to demand better services which public-minded citizens focused attention on inadequacies and identified new needs.

The fifth theme explores constitutional developments and jurisdictional divisions of responsibility. Legislative responsibilities often clashed with social need and financial resources.

When these thematic concepts are applied to the four pertinent areas, it is evident that education, health care, maternity leave and day care are following the general pattern of evolution seen in most social programs.

There is movement from individual responsibility to organizational involvement. Health and education, in particular, evolved from individual initiative and finally to to community, religious, and municipal charitable endeavours, and finally to public financial and professional support. Maternity leave moved more directly from the individual to the government sphere, but the issue of paid benefits continued to waiver between individual initiatives in union collective agreements and legislated government action. Likewise, day care received greater financial support from government. However, direct involvement in the provision of quality programs continued to rest largely with individuals: parents, owners and operators of centres, or individual caregivers.

In addition, the benefits or negative effects on society were central to the discussions. For example, progress in education and health care was viewed as providing an overall societal benefit, while day care and maternity leave policies faced a split between those who saw these areas as benefiting society, and those who saw them as benefiting only working women. In general, social goals for the common good were in conflict with goals to facilitate labour force participation of women. At issue was the fundamental belief that traditional family values would be eroded if women were encouraged to work outside the home, or if women's energies were diverted from the needs of their young children.

Increased awareness of social and economic factors affecting the general well-being of society was instrumental in the acknowledgement of needs for health, education, maternity leave, and day care programs. Progress in public health areas, such as the control of epidemic diseases, grew from an understanding of diet, housing and sanitation factors. Advocates of universal education recognized the economic expediency of an informed, skilled population. Maternity leave moved from a focus on the health and well-being of the child, toward the economic considerations including lost wages for women because of child-bearing functions.

Reformers played a major role in the development of social programs. Ryerson and other school promoters were articulate, politically influential, and dedicated to a long struggle for education. Health was shaped by powerful and articulate members of national and provincial medical associations, not all of them advocates of universality, but all ready to engage fully in the debate. Day care had its most influential supporters in social reformers ambivalent about a role for women outside the home and its most dedicated in parents who were active only as long as their children needed day care.

Education, health, and labour legislation were primarily provincial concerns. However, social and economic forces led to demands for greater government involvement at both the federal and provincial levels. The demand for improved and expanded programs in all areas required more public revenues, and since requisite financial resources were more readily found in the federal government, federal bodies acquired over the century, considerable leverage in determining how funds would be spent. While the provinces were still responsible for the provision of services, federal funding initiatives determined the direction of most major programs.

The period between 1867 and 1967 witnessed major changes in social programs. Education, health care, maternity leave, and day care were part of the evolution toward greater government intervention in society.

INTRODUCTION

This paper provides a historical overview of the evolution of four interconnected areas of social service - education, health care, day care and maternity leave - between 1867 and 1967. Arguments for and against these measures, and a comparison of the progress of each will be discussed against political, social and economic backgrounds.

Common elements and general trends in the movement toward universality in Canadian social programs are thus identified. The paper examines the role of proponents and detractors at various stages of evolutio. For purposes of comparison, education and health represent the greatest degree of universality; education illustrates provincial intervention; and health care represents major federal intervention in a provincial area. Maternity leave, which has also seen federal involvement, provides an interesting comparison in view of its acceptance as a general benefit to working women and the similarity to rationals for public involvement in day care.

The paper is divided into six sections. The first section presents a historical view of the general social, political, and economic climate between 1867 and 1967, with an emphasis on milestones in the development of the four selected areas. The next four sections are devoted to separate discussions of the dominant forces and groups which accelerated or limited development in each of the pertinent areas. Section six analyses major trends identified with the emergence of all social programs, and applies these to developments in health care, education, maternity leave, and day care.

SECTION 1: Setting the Scene: The Economic, Political and Social Framework for Change

The century since Confederation has witnessed many changes in the Canadian political, economic and social climate. Tensions between regional and national interests, migration of the population, fluctuating government views from one election to the next, international factors, the transition from an agricultural to an industrial economy, evolving concepts of the role of women and children, wars and depressions, contributed to the development of health care, education, day care and maternity leave programs.1

In 1867, the British North America Act brought about a Confederation of four colonies - Ontario (Canada West), Quebec (Canada East), Nova Scotia and New Brunswick. Politically, this union was expected to strengthen a scattered population against external aggressors, notably the United States. Economically, it was hoped that a diverse national economy would grow from the amalgamation of resources. The federation gave to the central government authority over matters of general and common interest, and to provincial governments authority over matters of local concern.

The underlying philosophy of the B.N.A. Act followed the prevailing notions of the functions of government and the fiscal experience of the past. The provinces were left with responsibility for social welfare issues which might grow beyond the resources of municipal and charitable organizations. Education, health care and day care were assumed to be within the scope of individual, family and community responsibility. Maternity leave was a concept beyond the realm of imagination.

Within a few decades of Confederation, the production of food and materials was more mechanized, less geared to local consumption, and waged work was more prevalent. Work which had been done by men and women in their homes, on family farms or in artisan shops was now done in industrial settings or in other commercial enterprises. The previous ease with which workers could retreat to self-sufficient family units had diminished.

These changes in the structure of society signalled a need for increased social services, especially education and health care. Increased support for education would ensure properly trained and socialized individuals to support the country's economic and social growth. Health care would ensure a vigorous population to participate in the national expansion.

Throughout the 1880s and 1890s, urbanization was prevalent. Industry in central Canada was expanding and diversifying. Railways were opening new agriculture lands in the west. The maritime provinces were still enjoying post-Confederation prosperity. By the mid-nineties, the influx of Europeans and Asians had begun to change the ethnic balance, and by 1921 had further contributed to urbanization.

The rise of factories gave unskilled workers, male and female, greater employment opportunities. Women, however, were seen primarily as temporary members of the labour force. Most were single; married women constituted a minute percentage of workers. Woman's proper sphere was held to be the home, and the nation was thought to be best served if husbands and fathers provided for their women and protected them from the hardening influence of "commercial" work. Little recognition was given to the economic needs of widowed or separated women. For many women, the absence of day care precluded a choice between paid work and parental responsibilities.

As Canada moved from a rural to an urban society, and from family-centred to factory-centred production, some industries offered work to entire families, providing company housing near by. However, this practice drew the ire of reform groups who decried the subsequent exploitation of children.

In an attempt to cure the ills of this urban/industrial society, social reformers focused their efforts on children, endeavouring to remove them from slums and factories. Health programs expanded into the community. Kindergartens and day care centres were set up to provide moral, educational and custodial care. Attention to working women's childbearing function opened the door to maternity leave protection legislation.

Social and economic problems caused by urbanization activated many groups. Among the most active reformers were middle-class women participating an extension of their acknowleged role as wives and mothers; maternal feminists aiming for social purity, urban reform, public health, and universal education. While they deserve much of the credit for progress in social reform, their narrow perceptions of female roles limited their ability to effect vital changes for working women. Restrained by the prevailing social attitudes about women in the workplace, these reformers concentrated more time and money on campaigns for pure milk and mothers' pensions than in the push for adequate child care, or compensation for lost wages during pregnancy.

Other groups which played a role in the evolution of social reform matters were new categories of professionals - teachers, doctors, social workers, child psychologists - who gradually assumed leadership roles in areas needing greater intervention.

Trade unions too were cautious advocates of changes, seeking to counteract problems faced by industrialized workers. While growing numbers of unskilled workers threatened the bargaining power of the early craft unions, women in particular, who comprised the cheapest unskilled labour, were seen as a major problem. Even the Knights of Labour, public supporters of women's attempts to organize their first strikes, endorsed the theory of separate roles for women in the workplace.

Not all facets of society were in favour of the trend toward greater intervention in social areas. Government, committed to industrial and commercial expansion during this period of national and economic growth, placed a high priority on minimal government intervention. Business favoured unfettered competition backed by state support in the form of minimal legislation and maximum help from the courts, the police, and the militia if necessary.

The First World War accelerated changes already underway. By 1916, the economy was closer to full employment. Industries, converted to munitions and other defence production, hired women as well as men. The armed forces recruited many unemployed male workers. Patriotism and idealism focused attention on building a Canadian nation with more social security for all members. The work of benevolent associations during the war heightened the emphasis on social programs for soldiers' families, returning veterans, and workers in war industries. Revenues collected through new income tax measures paved the way for government spending in programs such as mothers' pensions, and led to extended federal involvement in health and education. At this time, at least one province considered and implemented maternity leave provisions.

The Great Depression of the 1930s found the population with little protection against the ravages of unemployment and social disintegration. Work camps, soup kitchens and relief lines were the norm, with much of the burden for organizing and funding social programs falling to provinces and municipalities. The enormity of the task, and the resulting difficulties signalled the need for greater fiscal involvement by the federal government. Both education and health programs were clearly inadequate during this period, and the associated professional groups - doctors, nurses, teachers, and social workers - were among the strongest advocates of extended public funding.

Again the country climbed out of the Depression when the Second World War brought a need for soldiers and war production. Powers were increasingly centralized in the federal government. Women were encouraged by government to take wartime jobs with incentives such as day care and income tax breaks. Women were seen as a reserve of labour which could be pulled in when needed and pushed out when not. When the war ended, so did the federal, and usually provincial, funding for support programs aimed at married female workers.

The needs of returning veterans and their dependents for housing, health care, education, and insurance against unemployment, along with increased postwar birthrate and greater prosperity, brought noticeable federal involvement in social service programs: unemployment insurance, family allowance, old age security, hospital and medical care insurance, and student loans and grants.

The involvement of government committees and commissions in the development of both education in the fifties and health care in the sixties was a prominent trend. Maternity leave and day care were the subject of intergovernmental scrutiny, but neither garnered the national attention enjoyed by health care and education.

SECTION 2: The Evolution of Education: Dominant Forces and Public Arguments

The ideological battle for free schools at the elementary level was fought in the two decades before Confederation.[1] In the first half of the nineteenth century, the onus for educational initiatives fell on the individual family, the religious community or concerned public benefactors. The wealthy sent their children to private schools, while "ragged schools" were set up by individuals or charities to provide education and clothing for poor children. To counteract the stigma attached to these charity schools and the subsequent boycott, petitions were made to government for support of common or public schools to be established by parental or community effort. At these common schools, some of the poorest children were taught free, while parents of others paid a rate-bill of approximately 25 cents per month and provided a share of the firewood.

The movement toward free schools in the mid-nineteenth century was part of a growing realization that an educated populace would stimulate economic growth and ensure social stability. In general, the need for skilled labour, a more egalitarian attitude, and the recognition of education as a means of inculcating desired social and political attitudes precipitated change.

Egerton Ryerson, Superintendent for Schools in Canada West from 1844 to 1876, was one of the most effective figures in the creation of a publicly funded English-Canadian school system.[2] Free schools had been advocated before his tenure but it took the right social, economic and political conditions, coupled with the energies of an eloquent and aggressive educational reformer to make them a reality.

Ryerson advocated trained teachers, state-run schools, compulsory taxation based on property assessment, and compulsory attendance. The two essential precepts of Ryerson's system were control of standards by a central authority and the assignment of the major fiscal responsibility to local communities. Both precepts were adopted by other English-speaking provinces and are perpetuated in the present provincial/local partnership in matters of education.

Ryerson championed free, compulsory education as an instrument to meet the social, economic and political needs of the state and society: "Education is a public good, ignorance is a social evil."[3] He promoted schools as a humanitarian solution to social problems, a vehicle to help man, by use of his reason, to overcome ignorance and vice, and a cure for the by-products of urbanization - crime and juvenile deliquency. Free education would be beneficial in "withdrawing from idleness and dissipation a large number of children who now loiter about the streets."[4] In his Report of 1846, Ryerson argued that crime and pauperism were high where educational facilities were poor. It was pointed that while families could offer protection and privacy for their children, publicly-funded and controlled schools could ensure the social, moral and economic elevation of younger Canadians.[5] Economically speaking, free schools were offered as a sensible alternative to existing social institutions and remedies because "delinquent juveniles are costing the community far more than would a ragged (pauper) school."[6]

Schools were seen not only as the base for a smooth evolution of society, without disruption of traditional moral and social values, but as a political tool to inculcate loyalty to Britian and to British institutions in the face of republican threats from the United States. An educated populace was seen as "the best security for a good government and constitutional liberty."[7]

The adoption of a universally accessible school system was also promoted as a great equalizer, breaking down barriers between classes, promoting social harmony and mutual affection and understanding between the members of society. Ryerson envisioned the children of rich and poor "imbibing the first elements of knowledge at the same fountain, commencing the race of life upon equal terms, and cultivating feelings of mutual respect and sympathy."[8]

Ryerson proposed a democratic rationale for universal taxation: "In every good government and in every good system, the interests of the whole society are obligatory upon every member of it."[9] He predicted, accurately, that the strongest opponents of universal taxation would be the wealthy. His critics accused him of promoting "communism in education to the undermining of property and society."[10] A Methodist magistrate of the time is quoted as having objected to being "compelled to educate all the brats in the neighbourhood."[11] Free schools were held to be an infringement of

individual choice. Taxing people with no children was "repugnant to British freedom and common sense."[12] The more strident British attitude was expressed by a speaker at a meeting in Barrie, Ontario: "What do we need such schools for? There will always be enough well-educated Old Countrymen to transact all public business and we can leave Canadians to clean up the bush."[13]

However, Ryerson was more concerned with acceptance of the principle of free and universal education by the growing middle class, since it was they who would bear the greatest burden of taxation. Through his Journal of Education for Upper Canada and various tours of the province, he won popular acceptance of the property tax. In Ontario, the Common School Act of 1846, introduced by Ryerson, was the first in a series of acts culminating in the attainment of free and universal compulsory education at the elementary level.

Across the country, support of schools continued to be an issue. Arguing against general taxation, the wealthy maintained that education was an individual choice and of benefit only to the recipient. The poor found taxation a great burden. Others were opposed to the loss of individual choice, and infringement on religious and language rights. There was also a segment which expressed concern about the physical and psychological effect of confining young children to crowded classrooms for long hours. Some questioned the adequacies of teachers. Perhaps the severest criticism came from those who questioned the right of the state to interfere with the primacy of the family as nurturer and educator of the young. They predicted that parental responsibility and authority would be undermined, family cohesiveness threatened, and the child's emotional well-being jeopardized.[14]

Since the early nineteenth century, education in Canada has been a provincial/local partnership. From 1800 to 1870 in the eastern provinces, and from 1870 to 1905 in the western region, local fiscal arrangements were coupled with a system of provincial grants. The concept of supporting schools with local taxation based on property assessments predates Confederation. In 1850 in Ontario, the Great Charter of common school education gave recognition to the principle of universal property assessment. However, until 1871, each district was left to determine whether to raise the money by the old rate-bill (charged against each child attending school), by compulsory property assessment, by voluntary subscription or by a combination of all three.

A similar discretionary provision retarded the orderly and speedy realization of free univeral education in most provinces. Quebec distinguished itself by bestowing the right to raise money through taxation directly to school boards. Elsewhere, this was done by the municipality on behalf of the school board.

After 1850, a number of provincial authorities established permanent school funds, giving municipalities a guarantee of consistent support. From the first, the chief function of these central authorities was to offer grants in order to stimulate local initiative and to establish minimum provincial standards. However, this commitment to education varied from province to province and from time to time. Gradually, this leverage use of grants gave way to a new trend - equalization of educational opportunity.

In 1871, the provincial government of Ontario compelled communities to provide free common schools; attendance was compulsory for children aged seven to twelve. Other provinces followed this direction.

With the industrialization of the 1890s came a growing demand for skilled labour and a new awareness of scientific and technological advances. Education came to be seen as a means to prepare students to enter the work force, in opposition to the classicists who upheld education as a means to develop "character, manliness and patriotism."[15] Curricula addressed the needs of the industrial society by introducing manual training, asserting that teaching of useful general skills served a moral function.

By the turn of the century, schools were seen as a vehicle for regenerating family and home, and for instilling values. Child-centred reforms included stricter enforcement of compulsory attendance, the introduction of kindergartens, physical and health education and medical and dental services, residential schools for the deaf and the blind, and education for the physically and mentally handicapped.

The wave of immigration at the turn of the century presented a challenge to the existing philosophy of schools as an agency to instill Canadianism by breaking down racial and cultural differences. Compulsory education was resisted by many new immigrants, who wanted their children at home to work in the family business, who saw schools as institutions which destroyed family traditions and authority, and who demanded that education be in their mother tongue. Younger generations of immigrants, however, recognized the educational system as a vehicle for future success.

With the rapid increase in population in the early twentieth century, came a demand for the speedy expansion of schools. City schools were overcrowded, while rural schools lost students and were unable to maintain a quality system. When farmers' groups agitated for equal educational opportunity for rural schools, and for curricula adapted to the needs of an agrarian community, provincial granst were given to poor or rural areas.

Demands for federal subsidies and control over training of workers precipitated the federal funding an area where it had no established constitutional jurisdiction. Federal involvement in the last quarter of the nineteenth century consisted of grants for the education of Indians living on reserves and, after 1876, the education of defence officers for the army. The first quarter of the twentieth century saw more involvement in response to changing economics. Manpower shortages in agriculture and in manufacturing in the first decade led the federally established Royal Commission on Industrial Training and Vocational Education in 1910. In 1912, agricultural and veterinary educational grants were given to provinces and agricultural institutions.

The First World War persuaded the federal government to foster scientific and technical education. In 1916, the National Research Council was established to dispense federal research grants to the university community. In 1919, the Technical Education Act provided grants for vocational and technical training to increase the efficiency, capacity, and productive power of employees in industry and mechanical trades.

After the First World War, a temporary surge of interest in education from all three levels of government ceased with the economic collapse of 1929, despite increased demands on the educational system. The war had speeded up urban and industrial change, creating greater demand for vocational training. The Depression created a dismal job market and consequently, a stricter

enforcement of compulsory school attendance. The first sign of renewed federal/provincial cooperative effort was the 1937 Dominion Provincial Youth Training Plan, established to train 16- to 25-year-olds in occupational trades, with the federal government contributing 50 per cent of the funds.

The Second World War and the period immediately after saw a further increase in federal involvement in educational concerns. In 1940, the municipalities, provinces, and the federal government shared the costs of equipment, facilities and salaries under the War Emergency Training Plan, in an effort to increase the number of skilled workers in Canada. In 1942, the Vocational Training Coordination Act made further arrangements for federal-provincial cooperation in training projects to improve efficiency of production to enable Canada to compete in world markets. To rehabilitate veterans, the federal government provided funds for skilled training and for upgrading education for university entrance.

In general, up to 1950 then, the federal government provided minor and indirect funding for education, mainly at the secondary and post-secondary levels. However, the 1950s brought crisis for educational institutions. The population continued to expand rapidly, industrial growth demanded trained employees, educators stressed the need to keep students in school longer and to equalize educational opportunity. Across the country, provinces set up Royal Commissions to study the need for change.

By this time, universality of education at the elementary and secondary levels was the norm.. A growing concern for the moral fibre of society was reflected in greater emphasis on guidance programs and religious instruction which reaffirmed traditional values. Education offered the basis for productive employment and effective living.

By 1967, federal government involvement in education through fiscal arrangements was an integral part of the system. Although the primary involvement was in post-secondary education, transfer payments to the provinces, brought federal activity in an area of provincial jurisdiction.

SECTION 3: The Evolution of Health Care: Dominant Forces and Public Arguments

Prior to Confederation, health care was the responsibility of the individual and the family.[1] In some parts of the country, religious orders established hospitals and provided nursing care. Government involvement was limited to prevention of communicable disease, treatment of the sick poor, and care for the mentally ill, the alcoholic, the deaf, blind, and mentally retarded.

In 1867, the B.N.A. Act reflected little official federal interest in health matters. Provinces were expected to deal with issues beyond the scope of the family or the local community. Federal jurisdiction over health was to include "quarantine and the establishment and maintenance of marine hospitals" (Section 91, Subsection 11), while the provinces were assigned "the establishment, maintenance, and management of hospitals, asylums, charities, and eleemosynary institutions" (Section 92, Subsection 7).

Between Confederation and the turn of the century, health care remained largely the responsibility of the individual and the family. With urbanization, public activity included limiting the spread of communicable disease, aid for the poor, custodial care for the mentally ill, the deaf, the blind, the mentally retarded, and protection against unqualified practitioners.

The earliest hospitals in Canada were established in Quebec by French nursing orders and were usually supported by charitable means. Outside Quebec, hospitals largely founded by private initiative, primarily for the sick poor, were operated by private boards, and supported by voluntary giving. While some did receive public funds, the post-Confederation period was essentially a time of provincial reassessment of the nature of these institutions and their granting structures.

Although several general hospitals in Ontario did receive public funds prior to Confederation, grants were not given on a systematic basis. Soon after, in 1872, the grant system was investigated and two arguments favouring public expenditure for hospitals were presented in a report. First, it was argued that hospitals were essential for training medical students and that "a well- educated and properly trained medical profession" was advantageous to the whole of society. Second, it was noted that hospitals served a needy portion of the public, "that class who have to work for the daily bread of themselves and their families, and who if hospital treatment had not been open to them, when overtaken by sickness or accident, might have been permanently withdrawn from the working and wealth- producing population of the Province, and placed upon the charity of friends or the public."[2] The report and subsequent legislation heralded a period of rapid growth of hospitals.

Like the movement toward universality in education, the first focus for an extension of public funding beyond hospitals and basic concern with communicable disease, was the child. The public health movement saw health care of school children as its first line of defence against the spread of contagious and infectious diseases; children became a prime target for preventive medicine. Medical inspections at schools were the focus of discussions in groups ranging from local councils of women, to trade and labour councils.

Departments of health at the municipal and provincial levels were set up in the 1880s, with the Ontario Public Health Act of 1882 setting a precedent. However, it was several decades before effective measures for providing basics like safe food and water, and environmental santitation were in effect. In 1906, the municipal board of health in Montreal began the first regular and systematic medical inspections of school children, with other communities quick to follow suit.

Toronto was one city where civic-minded groups, including the local Council of Women, campaigned vigorously for inspection in the city schools in spite of firm opposition from Dr. Charles Sheard, Toronto's chief medical officer. In Sheard's opinion, school medical inspection was "a pure fad, instituted principally by women," who were "apt to give way to sentiment" and who listened "to the talk of agitators."[3] The groups gained the support of John Ross Robertson, publisher of the Toronto Telegram and, through the school board, finally bypassed the municipal board of health and started inspections.

Neil Sutherland, in his study of this public health program, notes that initially the early proponents sought only "to reduce or eliminate the evil of disease from their communities." Eventually, their goal shifted "to the much more positive one of creating a nation whose children were all in rude good health."[4] By the First World War, urban Canadians were persuaded that the cost of maintaining medical inspection was "a practical and effective way of making Canada a healthier and happier nation."[5] The campaign led the way to the broader focus on the health of infants and young children.

Substantial advances made in the last decade of the nineteenth century were the result of the combined efforts of health professionals, the voluntary community, and municipal and provincial governments. Federal authority was still limited to its statutory obligations - immigration, quarantine, sick mariners, native people - and it was not until 1919 that a federal department of health emerged.

The First World War accelerated the acceptance of state involvement in social service programs, and the postwar reconstruction period brought a growing awareness of the need for greater public funding and public control of such programs. This period also saw Dominion Legislation authorizing grants-in-aid to the provinces for public health, particularly for the control of venereal disease. Both provincial and federal health officials, recognizing health care to be of vital public interest, moved toward extension of free curative and preventive services, and greater support of health institutions.

As the focus on public health widened, the notion of state intervention in the provision of curative measures met with greater acceptance. Participants in the later period of the debate over universal health insurance were involved from the early days. Prior to the First World War, the medical profession advocated universal access to medical care, increases in doctors' incomes, and calculation of insurance according to a medical schedule of fees.[6] In the political sphere, a Legislative Commission of the British Columbia government outlined a plan for a state system in 1919. In 1921, the Trades and Labour Congress of Canada advocated a health insurance scheme and, every year, the provincial executive included the topic in discussions with the provincial legislators.[7]

While early debate within the Canadian Medical Association (CMA) indicated both opposition to and support for health insurance, the primary issue appeared to be uncertainty about its application. The Great Depression was a temporary turning point for physicians. With patients unable to pay their bills, medical practices declined severely, uncollectable debts were high and doctors' incomes were insufficient to pay professional expenses. In addition, many patients were severely ill before they finally sought medical assistance. Many physicians looked for a broadly-based insurance scheme to alleviate the situation.

Though several provincial proposals came forward, the CMA prepared its own design. In 1934, the CMA Committee on Economics presented its "Plan for Health Insurance in Canada", calling for state health insurance organized under provincial health departments, with a central advisory board providing views of all interested parties. The necessary "socialization" of medicine could prevent doctors from "being driven into the indigent class" because they were often treating patients for free.[8]

By this time, the Depression had touched all parts of Canadian society, and the need for increased social security measures was evident. In the 1930s, both Alberta and Saskatchewan took steps toward the provision of health services for the public. Saskatchewan, in particular, had already begun to coordinate some efforts at the municipal level with the employment of physicians on contract to provide general health services; by 1939, about 100 municipal plans were in operation. In 1944, the Cooperative Commonwealth Federation (CCF) came to power with a firm commitment to health insurance and, by 1947, implemented a compulsory hospital insurance scheme. Saskatchewan was the first province to do so, followed immediately by three others.

The federal government had made a brief foray into this area in 1928, when the House of Commons' Standing Committee on Industrial and International Relations studied the subject and concluded that health was a provincial matter under the B.N.A. Act. In 1938, Bennett's government introduced "The Employment and Social Insurance Act" which was later declared to be beyond federal legal authority.

The Royal Commission on Dominion-Provincial Relations, appointed in August 1937, to re-examine the economic and financial basis of Confederation and to review the distribution of legislative powers, reported in May, 1940. Among other things, it reviewed the health care system and made suggestions for future directions. The Commission noted: "...owing to differences from Province to Province, medical and hospital services should remain a Provincial responsibility; and ...public health insurance, if established, should also be a Provincial responsibility."[9] It pointed out, however, that the Dominion might be in a better position to collect the fees for health insurance.

The Second World War brought to the fore concerns for the post-war welfare of members of the armed forces and their dependents, and for the general population. Among the social security programs discussed, health care was high on the list, and the wartime period was a time of increased activity for federal health committees. In 1942, a small committee in the department of Pensions and National Health, chaired by Dr. J.J. Heagerty, director of public health for the department, recommended that public health be included in any proposed legislation for health insurance, that coverage be universal below a certain income level, and that the provinces administer the plan in consultation with medical practitioners.

In 1943, a House of Commons Special Committee on Social Security met with various groups across the country to consider, among other things, the issue of health insurance. Its report, favoured a tax-supported system of medical care insurance, and recommended that a draft bill on health insurance be discussed in detail with the provinces. The draft bill provided for nationwide health insurance, administered by a provincially legislated commission. The federal government was to pay three- fifths of the costs by grant arrangements with the provinces. By this time, the issue had been endorsed by numerous medical, labour, farm, and social welfare organizations. When the provinces were consulted in 1944, they requested that the insurance scheme proceed in stages, that it be flexible enough to accommodate existing provincial services, and that no fixed time limit for full commitment be set.

In 1945, when the health insurance proposals were forwarded to the Dominion-Provincial Conference on Reconstruction, they were presented as part of a larger package, the so-called Green Book Proposals. The federal commitment was: "To remove the disparities in standards of health services in

different parts of Canada to avoid the risks of sudden heavy expenditures, and distribute health costs more widely and equitably."[10] At this time, considerable interest was expressed but, after several months, the provinces rejected what they interpreted as an encroachment on provincial jurisdiction and particularly, provincial taxation.

Several pressure groups contined to push actively for the establishment of a national health insurance act. Labour groups pressed for concrete proposals to help workers and others with moderated incomes;[11] social welfare groups called for an integrated and simplified scheme under national administration;[12] and medical associations wanted a non-partisan political study.[13]

In the push for increased social service measures after the Second World War, the federal government did inaugurate some parts of the proposed health program without treading in the field of taxation. By modifying the obligations for provincial involvement, the federal government gradually assumed a greater role especially, financial responsibility for improving and extending health programs. In 1950, the National Health Grants Program established ten grants-in-aid to the provinces for services ranging from child health to hospital construction. In 1957, after several provinces had taken steps of their own, the federal government under Diefenbaker passed the Hospital Insurance and Diagnostic Services Act. This legislation extended federal financial assistance to the provinces to assist them in providing hospital and diagnostic services on uniform terms.

Medical services insurance was the next logical step. In 1961, the Royal Commission on Health Services was established under Mr. Justice Emmett Hall "to study health needs and resources of Canada with a view to recommending methods to ensure the highest standard of health care for all Canadians."[14] One significant proposal was for compulsory, tax-supported, government-operated medical services insurance and, by July 1, 1965, medicare was presented at a Dominion-Provincial Conference. In 1968, after several attempts at legislation, the Medical Care Act was passed, with federal and provincial authorities accepting a shared financial responsibility for health care programs.

SECTION 4: The Evolution of Maternity Leave: Dominant Forces and Public Arguments

At Confederation, maternity leave was a family responsibility.[1] In fact, it is doubtful that labour and health care debates would have embraced any aspect of women's work outside the family. Well into the next century, women were seen as physically and emotionally fragile, and as primarily committed to wife and mother roles. Working women therefore presented a dilemma for legislators and reformers and for many women's organizations.

Working women in the post-Confederation era of industrial expansion did not fit the established model of feminine behaviour. Whether married or single, their activities in factories and in the homes of middle class families seldom involved light, or clean and healthy labour, and left them little time for the care and nurturing of either children or spouses.

Reform groups stressed that working women were in need of special protection to ensure not only their health and well-being, but that existing and future children be safeguarded from ill effects. Maternity leave was intended not as a means to improve the working situation of women, but as a measure to safeguard their health during pregnancy.

While much of the protective legislation which emanated from the concern for women in fact alleviated working conditions for all workers, a primary aim was to safeguard the reproductive function of female workers. Two issues emerged: first, the extent to which their work and their health would affect their potential offspring and, second, the effect of a mother's work on the socialization of existing children.

The first led to the promotion of protective legislation. Safeguards for the working woman's health were among the reasons put forth by the Toronto Suffrage Association for the vote for women: "because millions of women are wage workers and their health and that of our future citizens are often endangered by evil working conditions that can only be remedied by legislation."[2] The second led to campaigns for mothers' pensions in an attempt to restore the family as a primary influence for the child.

For some women's organizations, especially those working for female suffrage, special protective measures for women presented a perplexing dilemma. Members feared that such measures constituted an explicit admission that women were somehow inferior and unequal, and that this would segregate them further within the labour force, restricting employment and opportunity for equal pay.

However, women working within labour organizations felt that protection for women was desperately needed, and envisioned three potential forms of protective legislation: "Provisions that would be good for men as well as for women, but which can be obtained for women and not for men at the present time; Regulations that are more needed for women than for men because women are less fitted than men for dangerous and specially heavy work; and Forms of protection necessary for women because of their functions as mothers."[3] Many of these groups welcomed any concessions, even those focused solely on women, as preferable to existing working conditions for female workers.

Groups affiliated with the National Council of Women of Canada were early participants in the discussion. In March, 1913, the Corresponding Secretary of the National Council of Women responded to an enquiry about maternity insurance. In her reply, she noted: "There is no Maternity Insurance in Canada. Until very recently it was quite exceptional for married women to be employed outside the home, with the exception of Laundresses and Charwomen, but conditions are changing rapidly, and therefore this is a subject that must be considered in the near future."[4]

For British Columbia, the future was as close as 1916, the year of change to a Liberal government and the women's right to vote. Among the innovations of the government was the creation of a Ministry of Labour, under whose authority a review of legislation needed for women was carried out. After consultation with women's reform organizations and labour groups, several pieces of protective legislation were passed. One, a private member's bill called "An Act concerning the Employment of Women before and after Childbirth"; (11 Geo.V, c.37) effective in 1921,[5] was the first maternity protection act passed in Canada.

Progress through legislation reflected international events. The International Labour Organization (ILO), formed to advance the cause of social justice, adopted the Maternity Protection Convention in its founding year, 1919, as a protective measure for women workers which established the principle of maternity leave as a statutory provision.[6]

The British Columbia Act prohibited the employment of women during the six weeks following confinement, gave women the right to leave work on producing a medical certificate stating that confinement was probable within six weeks, and allowed a woman nursing a child half an hour twice a day for this purpose. Any employer contravening these provisions was subject to a penalty not exceeding $1 000. Subsequent to the period of confinement, it was unlawful for an employer to give a woman notice of dismissal because of her absence.[7] The Act did not require compensation for lost wages. In 1929, British Columbia appointed a Royal Commission with the joint mandate of studying health insurance and maternity benefits; a final report was published in 1932. No legislative changes were enacted as a result of the study.

The next major public discussion occurred at the national level. Leonard Marsh prefaced his 1943 Report on Social Security for Canada, with the statement: "particularly in the post-war world women are vitally important as homemakers and as rearers of the nation's children, whatever role may be reserved for them as gainfully employed workers in the post-war occupational structure." Recognizing the role of women in the labour force, he specifies that: "the mother who is normally a wage-earner... should have every inducement to refrain from working during the periods immediately prior and subsequent to the birth of her child. If sickness cash benefits are instituted for the employee section of the population... the establishment of maternity cash benefits for working women would be a desirable corollary."[8]

Marsh also argued that "for gainfully employed women the proper counterpart for sickness cash benefit is maternity benefit." He goes on to state that "maternity benefit as a complement to health insurance and cash sickness benefit is almost universal practice in all countries with social insurance legislation." Referring to this benefit as "a special case," he suggests that the scale for payment might be higher than the proposed scale for other situations which was "half the wage level of the normal earnings of the recipient."[9]

Harry M. Cassidy, proposing a national program of social security in 1943, addressed briefly the issue of maternity insurance: "There is an obvious case for cash grants at childbirth to the wives of wage-earners, farmers, and other persons, and also for cash benefits extending for some three months after childbirth for working women." He goes on to state that "one of the questions at this point is whether or not unmarried women should also be eligible for these benefits."[10]

During the Second World War, large numbers of women worked in wartime industries and at numerous other jobs vacated by men recruited by the armed forces. Greater visibility of women in the labour force led to increased debate about workplace measures to ensure their well-being. Political women such as Dorise Nielsen, a Member of Parliament from North Battleford (1940-1945), and Laura Jamieson, of the British Columbia Cooperative Commonwealth Federation, were active supporters of working women. Their writing during the 1940s promoted a program for women which included maternity leave and maternity allowances.[11]

Dora Dibney, writing for the Canadian Women's Press Club in 1944, noted concerns about the declining birthrate and the supposition that sending women home from the workplace and providing them with family allowances would reverse the trend. Calling these measures "another palliative," she stated: "How to encourage childbirth? Remove economic fears. Give a woman worker full pay for 10 to 12 weeks; four weeks before her child is born and six to eight weeks after."[12]

Nothing concrete emerged until the 1950s, at which time the movement was a provincial initiative. In 1955, the Alberta Labour Act authorized the Board of Industrial Relations to regulate prohibition of employment of pregnant women on day shifts for six weeks before and two months after delivery, and on night shifts throughout pregnancy and for two months after delivery. Sheila Woodsworth notes that because no regulations were issued the provision was inoperative.[13]

As an employer, under the terms of the 1918 Civil Service Act, the federal government provided full-time employment for married women only during times of crisis, and when no other qualified person was found. Because of this marriage bar, the number of married women on permanent staff was not large enough to necessitate a policy on maternity leave. After the hiring policy changed in 1955, the number of women absent for reasons of maternity grew; in 1962, the Civil Service Regulations made maternity leave an entitlement for both married and unmarried women.[14]

Further changes in the 1960s occurred within provincial jurisdictions. In 1964, New Brunswick passed a Minimum Employment Standards Act providing maternity leave. The same year, Ontario authorized regulations "respecting the employment of pregnant females in any factory or shop," but these were not enacted.[15] British Columbia, in 1966, revised its existing Act and extended the scope to other sectors of industry. Other provinces allowed maternity leave, mainly without pay, for civil servants.

In 1971, maternity leave up to seventeen weeks was allowed for employees in jobs under federal jurisdiction. At this time, insurance benefits were extended on a limited basis through the Unemployment Insurance Act (1971), which provided fifteen weeks of maternity benefits after twenty or more weeks of full employment. Activity at the federal level was based on the premise that the women needed protection "from an earnings interruption caused by her physical incapacity to work or look for work in the period surrounding the birth."[16] The current interpretation is that the leave period and benefits enable the mother to care for her child in the period following birth.

SECTION 5: The Evolution of Day Care: Dominant Forces and Public Arguments

A review of the evolution of day care in Canada reveals that, while it has been a concern for over a century, social policy in this area is still rudimentary.[1] Day care was first seen in Canada in the mid-nineteenth century, with the first centres for daytime care of children set up in the increasingly industrialized provinces of Quebec and Ontario. In Montreal, the first centres were founded by Roman Catholic Nuns in the 1850s in response to the increased employment of women.[2] In Toronto, the first day nursery was established by an interdenominational group aiming to "shelter, feed and give Christian Training" to children of working parents.[3]

In Quebec, crèches, which were primarily custodial, were for children of poor working women, while the Salles d'Asile, more educational in nature, were for the children of both poor working parents and more affluent families. The Salles d'Asile were partially financed by provincial grants, in addition to charitable donations and monthly fees from parents. This made Quebec the first province to have government support for day care.

In Ontario, many of the early supporters were reformers who promoted the need for an entire new social order which would eliminate poverty, disease, crime, and immorality, with the child as the main focus of their efforts.

Many members of social reform organizations were women who also espoused female suffrage, believing that women's votes would promote change. Carol Lee Bacci, in her analysis of English-Canadian suffragists, points to a dichotomy between a desire for the simpler, agrarian past and an admiration for the industrial pragmatism of the present. Thus, in their platform, the reformers "eulogized the traditional family as the soul and foundation of the social structure and tried to strengthen it against the divisive effects of city life. At the same time, however, they questioned the efficiency of the family as a character-forming infuence, and constructed a second line of defence, a complex system of institutions and agencies to perform the task of socialization."[4]

Urbanization and immigration posed a challenge to many aspects of traditional family life as envisioned by the reformers. The evidence that a large number of children went loose in the cities led to the development of institutions which would function as surrogates for middle-class family life. Public schools with compulsory attendance and kindergartens with a focus on training in technical and domestic skills provided one means of transforming the child. Day nurseries were promoted as environments in which the child would evolve in a socially desirable direction under the guidance of middle-class caretakers.

Individual feminists and groups of reform-oriented women were cognizant of the need for day care for the children of working mothers, but were ambivalent about the degree to which they wished to support provision of such services. Agnes Maule Machar stands out as a representative female social reformer of the post-Confederation period. An early member of the National Council of Women, she was ahead of the majority of the population in articulating views about women's rights and other necessary reforms. Machar's earliest and longest journalistic campaign, starting in the 1880s, promoted an extended work sphere for women. Her proposal was basic: "Whatever women show they can do they have a right to do."[5]

Like many early feminists, Machar agreed with critics that "in theory, the true sphere of woman is the domestic one; her destined end, that of wife and mother," but she was quick to consider the women who must work to support dependent families.[6] For them, she advocated equal pay for equal work, legislation to improve working conditions and, if necessary, the provision of day care. In her view, "the care of a family is sufficent to fill a mother's life without exhausting outside work."[7] She especially feared the effect of industrial and other difficult physical labour on the health of unborn generations and, like others of her time, expressed the view that working mothers were a factor in the increased rate of juvenile crimes.

In 1889, Jean Scott Thomas's "The Conditions of Female Labour in Ontario" dealth in part with the employment of married women: "Married women in Canada do not seem to go out to work as long as their husbands are at all able to support them...Women whose husbands are dead or are not able to support them will not go out as long as they have children at home to care for, but prefer, if they can, to engage in some work which will keep them at home."[8]

Scott also voiced concerns about the employment of women and its consequences for the family: "Another result of the indiscriminate and extensive employment of women is increasing danger to the life of the home. It is generally conceded that the family is the great safeguard of a nation's prosperity, and anything which would endanger it cannot be looked on with disfavour or even alarm."[9]

In 1889, Hester How, a teacher in a downtown slum area of Toronto, allowed her students to bring younger brothers and sisters to school, prompting the school board to promote the need for day care. The crèche on Victoria Street opened in 1891, the East End Day Nursery in 1892, the West End Crèche in 1902, all of them reporting service to hundreds of children in their first years.

Toronto's East End Crèche, set up in 1892, had support from reform-oriented groups like the local Council of Women. Its annual report of 1905 noted that its organizers aimed "to conduct our work on the lines of a well regulated home, as it is the home life that makes the national life."[10] The intention was to provide a family model, but many centres encountered hostility, as recorded by a worker at Toronto's West End Crèche in 1910: "We have of course encountered the usual adverse and ingenious arguments which can always be found to oppose any charitable or other undertaking. In our case these have been that a crèche tends to discourage home life, that women should not be breadwinners, etc... Broad arguments which overlook particular cases."[11]

By the time the National Council of Women was created in 1893, issues like public crèches and special protection for working women were part of the social reformers' accepted repertoire. Lady Aberdeen, in her early presidential addresses, confirmed that woman's first place was in the home, and that the family must be preserved as the basis of civilization.[12] For them, good mothers were synonymous with good homes and good families. Within the first decade of the twentieth century, council members across the country realizing that special accommodation must be made for working mothers assisted in the creation of crèches and day nurseries. Although nurseries were supported by the council, many hoped that they would be a temporary measure, the preferable condition being mothers at home full-time with their children.

By 1890, the National Council of Women was able to list more than fifteen centres providing care on a daily basis. Their list is not comprehensive, but it does provide interesting figures on the needs of working women. Most of the centres had more than 200 children under their care; several had close to 600. Revenues generally came from individual families, voluntary contributions, provincial governments, and occasionally, the municipality.[13]

In this same publication by the National Council of Women, there is evidence that the wealthier classes used privately arranged day care. Within the discussion pertaining to domestic servants, the report noted that "many young girls obtain employment as nursemaids to take young children out of doors, care for and amuse them during the day."[14]

The Young Women's Christian Association also identified a need for day care facilities for working women. Mary Quayle Innis reports "in Ottawa two rooms were rented in Hintonburg in 1910 with a Day Nursery where working mothers could leave their children, also an employment agency and a women's exchange."[15] In addition, she mentions that "work with children was done on a large scale in many places because kindergartens and day nurseries did not yet exist." [16] The London YWCA apparently had a kindergarten class for small children in 1889.[17]

In Saint John, a day care centre was established in 1908 by the Local Council of Women. An earlier day nursery had closed in 1897, and although council members publicly raised the issue of re-opening it, nothing happened until they took action themselves. After consulting with the existing Kindergarten Association, a committee of council rented the Tabernacle Church in Haymarket Square. The day nursery set up a program of education, amusement and care for the children of working mothers from seven to five o'clock each day. The initial funds came from the council, the Women's Christian Temperance Union, and benevolent individuals. However, when no permanent support for the centre was forthcoming, the nursery closed before the year was over.[18] In Halifax, the Local Council of Women assisted in the creation of a day nursery in 1910.[19] The Jost Mission Day Care Centre operating during the First World War.[20]

In Quebec, the history of day care for working mothers is longer and better documented than in other regions of the country. While many of the early centres were started by religious orders, there were several under the direction of laywomen. In 1881, a group of working women from St Henri petitioned the Commissioners of the Catholic Schools of Montreal to ensure the continuance of the facility operated by Miss Sophie Olivier for almost two years: "...the services rendered by this admirable devotion are of the most obvious use: in that poor families or women without resources who live on outside work, would have been obliged to stay at home if they did not have this charitable school to entrust with all safety the care of their children."[21]

The Young Women's Christian Association indicated an interest in Montreal's working mothers before the turn of the century. Through their industrial work committees, they explored the issue of women's wages, the need for amenities at the workplace, hostels for women, and recreational centres. In Montreal, "a day nursery, opened in a room of the Working Girls' Home, fed and cared for children for ten cents a day each... This work later included a crèche where children were boarded for weeks at a time and where, in the first ten months of 1899, 5000 children were looked after."[22] The Montreal Day Nursery, opened in 1887, was clear about its objective "to enable struggling and deserving women to help themselves, by taking care of their children by the day, or the week, and by so doing make it easier for the parent to earn the necessary means of support for her family."[23]

The Federation Nationale Saint-Jean-Baptiste, founded in 1907, was a large and powerful association which brought together francophone Catholic laywomen throughout the province. Most of its members believed that family and home should be the primary female concerns. Even in close work with working women through their internal associations, they did not come to terms with the real needs of working mothers. Part of their solution to the increasing number of women employed outside the home was to encourage the development of low-paying piecework sewing in the home for manufacturers.[24]

As the population and industry moved westward, the number of women working outside the family increased. Most of the women's rights advocates were reluctant to acknowledge that this was an economic phenomenon which would continue to grow. For example, the prominent western suffragist, Nellie McClung, was aware of the economic need for women workers but could recommend only careers for women with grown-up children.[25]

The history of day care in Canada's west appears to have started with some provision of care to needy children through religious and charitable organizations operating children's homes, orphanages and asylums. Winnipeg and Edmonton set up day care centres in 1908-1909. In 1910, the Infants' Hospital in Vancouver opened an infant and preschool centre for working mothers.[26] In 1910, a second crèche was organized jointly by Associated Charities and the city. It doubled as an employment agency for domestic workers, who could leave their children when employers called for work.[27] In 1916, this crèche was placed under the jurisdiction of the provincial health department.

In areas where daily child services were nonexistent or inadequate to receive all children needing care, some working parents placed their children in institutions, paying board on a monthly basis. Joey Noble, in a study of the Women's Christian Association in Toronto, notes that, in its effort to direct relief appplicants toward self-sufficiency, it encouraged parents to place their children in orphan asylums.[28] Agencies like the Kingston Orphan's Home and the British Columbia Orphan's Home, founded in 1873, took in children from destitute families as well as orphans.[29]

Early day nurseries were seen by their organizers as not only providing mothers with an opportunity to work, but also giving children an extra advantage through exposure to different social values. In 1910, the President of Toronto's East End Day Nursery reported that "it is hard for a mother to leave her children all day with strangers while she does very menial work, but it is harder still to hear them cry for bread. We are trying to make her burden as light as possible and many a mother goes from our nursery to her day's washing or cleaning with a blessing for such an institution on her lips, for she knows that her babies will be fed and well looked after."[30]

However, not all women thought that the crèche system was the best solution. Flora MacDonald Denison, a member of the Canadian Suffrage Association and outspoken defender of women's rights, while sympathetic to the problems of working mothers, was critical of the disruption of traditional family life, seeing day care as yet another example of how the needs of humanity became subordinate to the needs of capital. She favoured a cooperative type of home care proposed by Mrs. Rowan Ellsworth, who aimed to organize charwomen and laundry workers into shared living arrangements with a nurse in attendance.[31]

From its earliest history, day care was a charitable provision extended to families demonstrating an urgent need. Sponsoring agencies were invariably dominated by individuals from the middle and upper classes, operating from a sense of Christian duty toward society's unfortunates. In addition to interdenominational organizations and Catholic religious orders, day nurseries were supported by church-based Missions and Settlement Houses.

Labour unions in the first part of the century demonstrated only limited interest in day care for working mothers. In British Columbia, the Vancouver Trades and Labour Council turned to the local Council of Women for advice, rather than to working class women.[32] In Ontario, while the Toronto and District Labour Council initially endorsed the goal of Mrs. Ellsworth's efforts for cooperative day care, it refused to affiliate with her Working Women's Protective Union.[33]

There was widespread consensus among prominent social reformers that working women were to blame for many social ills suffered by children. J.S. Woodsworth, who on occasion addressed members of the National Council of Women, articulated what many felt: "When the mother is absent from the home the children are sadly neglected. The younger children suffer physically; the elder ones through lack of discipline become utterly unmanageable and thus qualify for a life of crime. It ought to be a fixed rule with social workers that such arrangements should be made as would leave the mother free to care for her home and children."[34]

The passage of mothers' allowance or mothers' pension legislation in several provinces during and following the First World War apparently brought a decline in the need for day care, and some centres closed during this time.[35] The movement toward state involvement in payments to needy families after the First World War came after many years of agitation by women's organizations and social workers. The object of the Mothers' Pension Bill, introduced in British Columbia, was "to provide children with home life and care of a suitable character and to keep them out of institutions when the father, the breadwinner, is incapacitated whether from physical or mental disability."[36] The unwritten corollary was that providing public funds for family support would keep the mother from going out to work.

In 1923, when the Laura Spelman Rockefeller Foundation gave money to five universities to establish Child Development Centres, such a centre was set up in Canada at the University of Toronto under the Psychology Department. In 1926, the St. George's School for Child Study, later renamed the Institute for Child Study, began, under the direction of Dr. William E. Blatz, to carry out its mandate to conduct a research program in child development, provide a demonstration program of preschool education, offer a parent education program, and train teachers.

This institute seems to have had an influence, not only on Ontario-based day care centres, but also on groups in other provinces. In 1931, the Foster Day Care Association was established in Vancouver to promote the care of children in private homes. Women at home with small children were encouraged to take in other needy neighbourhood children, and to develop play programs for intellectual stimulation.[37]

It was estimated that, by 1933, there were only 20 day nurseries across the country serving approximately 2 500 children. As well-articulated principles of day care came to the fore, existing crèches and settlement house

nurseries began to adapt their methods to children from deprived homes. In addition, parents from homes with higher economic standing, newly aware of the advantages of early childhood educational experiences, set up private nursery schools. Consequently, only the very poor (who were subsidized) or the relatively well-off child with fee-paying parents had the advantage of preschool programs.[38]

Increased industrial production and movement of male workers into the armed forces during the Second World War opened up new jobs for women in wartime industries. As the employment focus began to shift to women with young children, it became apparent that special attention might be needed for day care arrangements. Discussions between the federal government, the more industrialized provinces, and various women's organizations took place.

Political women like Dorise Nielsen took an innovative approach to the issue of working mothers, advocating public funding of laundries, cafeterias, and day care. Other proponents of increased government involvement in day care were women who worked closely with manpower policies set up by the government during wartime. Fraudena (Mrs. Rex) Eaton argued for greater government involvement: "Consistent and well-founded reports lead one to believe that children are neglected - thus becoming unhappy, undernourished and delinquent. Such a situation must be accepted as a responsibility of government in these days when it has become a burden too heavy for private agencies."[39]

The Dominion-Provincial Agreement of March, 1942 made government subsidies available to provide day care for children. Costs were to be shared equally between the federal and provincial governments. Ontario, Quebec and Alberta signed the agreement and established Provincial Advisory Committees on Day Nurseries. In 1944, ignoring pressure from groups in Calgary and Edmonton, the Alberta Committee reported that there was no need for new facilities. By September, 1945, Ontario had 28 wartime day nurseries in operation and 42 centres for school-age children. At this time, Quebec had five wartime day nurseries operating in Montreal.

The Agreement went beyond the provision of facilities for day nurseries, to include a broad range of ages and care situations. As Pierson notes, it also included "foster home care for children under two; and school supervision, outside of school hours, for children between the ages of six and sixteen." A special category provided for the kindergarten child.[40]

With the end of the war, as munitions plants were closed or converted to peacetime production, women were replaced by returning servicemen. In 1946, the Dominion-Provincial Agreement was terminated; Quebec closed its five centres and Ontario tried to close the ones under its auspices. However, resistance from some parents was so great that 16 of the 28 centres for preschool age children were kept open. By 1950, only 1 147 children in Ontario were receiving subsidized day care.

Throughout the 1950s, lack of supporting mechanisms for working mothers, combined with other social and economic factors, kept many women out of the labour force. Day care, where it existed, resumed its charitable focus, providing service only for women with a demonstrated economic need to work. Opponents of expanded day care facilities argued that children reared at home by their mothers received superior care and that working mothers

contributed to juvenile delinquency. During this period, Phyllis Burns and other proponents of day care expansion noted that many married women with young children worked outside the home for economic reasons, and that these families needed good centres with high standards and sound programs.[41]

By 1961, the number of women in the labour force had risen, and continued to rise throughout the next decade. The Women's Bureau at the federal Department of Labour noted in 1964 that "...working mothers from families with both husband and wife present numbered about 400 000 in 1961, and there were about 800 000 children in these families. These numbers guarantee that the situation of working mothers and their children will continue to attract public attention."[42] In 1966, the Canada Assistance Plan (C.A.P.) reactivated federal participation in the funding of day care centres. At this time, the federal government agreed to share equally with the provinces the cost of providing day care to families in need.

SECTION 6: Common Elements in the Evolutionary Process: Overview Analysis of the Four Areas

The preceding overview of the evolution of education, health care, maternity leave and day care points to factors which accelerated public acceptance and government involvement in social programs. Previous research by Dennis Guest identified five major themes which shaped the historical evolution of social security programs in Canada: the shift from a residual to an institutional concept of social welfare; the concept of a social minimum; the process of defining and redefining the causes of poverty; the growth of participatory citizenship; and the impact of the British North America Act. These five themes provide a useful framework for analysing the development of the four areas in question.[1]

The first embodies the gradual movement of social organizations from a residual or secondary role in supporting needy individuals, to an institutional role which sets up programs as a first line of defence against adversity. Thus, in the first fifty years after Confederation, the family and the private market provided the primary channel of assistance, with the social agencies providing temporary emergency assistance. While this scheme still has adherents, a shift has occurred toward recognition of society's duty to ensure that the costs and benefits of day care are shared by all and that vulnerable members of society are protected from harm.

The evolution of the four social programs indicates the movement from private to public participation over varying periods of time. In the second half of the nineteenth century, the access to education, health care, and child care was an individual responsibility, with charitable organizations stepping in when necessary. Gradually, this scheme was supplemented by municipal aid and, finally, by increased provincial and federal government participation. This transition was accelerated by the replacement of voluntary social service workers with professionals demanding payment and recognition for their services.

Another feature of this movement from residual to institutional activity was a change in attitude toward users of the services. In common with other social service measures, early developments in health, education, and day care grew from charitable assistance to the deserving poor. Later

arguments for extended services placed more emphasis on general social reasons for the need rather than on individual reasons. Maternity leave moved more directly from the individual to the government sphere, but the issue of paid benefits continues to waiver between individual initiatives in union collective agreements and legislated government action. Day care likewise has moved to greater financial support by government. However, direct involvement in the provision of quality programs still rests largely with individuals - parents, the owners and operators of centres, and individual caregivers.

The second theme was described by Leonard March as "the realization that in a civilized society, there is a certain minimum of conditions without which health, decency, happiness and a chance in life are impossible."[2] The notion of a "social minimum" in education, health, and measures for working women such as maternity leave and day care evolved as a result of concepts of public good, social justice, and quality care.

The benefits or negative effects on society as a whole were a major theme in the discussions. For example, progress in education and health care was seen as an overall benefit to the general population, while the issues of day care and maternity leave faced a split between those who felt they benefited society, and those who felt they benefited only working women. In general, social goals for the common good were in conflict with goals to facilitate labour force participation of women. At issue here was the fundamental belief that traditional family values would be eroded if women were encouraged to work outside the home, or if their energies were diverted from the needs of their young children.

Pierson notes this in her analysis of the Second World War Dominion-Provincial Wartime Day Nurseries Agreement. This agreement signalled a willingness by the federal government to enter the area of day care provision but, like other measures directed at the female labour force, the intervention was based on particular labour market needs, not on "any consideration of women's right to work."[3] Socio-economic events such as war and depression have contributed to and accelerated progress in education, health care and, in the Second World War, day care. However, while health care and education were seen as long-term commitments to the good of the nation, day care was seen as a temporary need during wartime employment of mothers.

Like the demands for change in health care and education, arguments for improvements in maternity leave and day care hinged on principles of equal opportunity. However, while University was a rallying cry for health and education, maternity leave was based more on the child's need for the undivided care of a healthy mother, than on the mother's need for time to enjoy her new role as parent. Likewise, the dominant motive thoughout the history of day care has been the child's need for a secure environment, with the employment needs and personal reassurance of the mother coming a distant second.

The third theme was greater awareness of the true nature of poverty and social need, resulting in changes in prejudicial attitudes, and the laying of groundwork for new programs spurred on by public debate. A lengthy campaign to raise public awareness and generate public support for education and health care was carried out before major legislation was presented. Interestingly, in the debates over day care and maternity leave, the very groups which articulated the need were reluctant to declare them a permanent necessity, referring continously to a day when women could remain in their home to carry out their prescribed duties as wives and mothers.

While the early school promoters were active prior to Confederation in the push for compulsory elementary education , their ideas were extended during an era of social reform which prevailed around the turn of the century, and which sparked debate over public health issues and the day care needs of working women. Participants in the debate tended to be the same groups within society: in general, social reform groups comprised largely of women, labour, and professionals articulated the need for change, while the business community and political conservatives resisted.

Increased awareness of social and economic factors affecting the general well-being of society was instrumental in the acknowledgement of needs for health care, education, maternity leave, and day care programs. Progress in public health areas such as control of epidemic diseases was accompanied by an understanding of diet, housing and general sanitation factors. Advocates of universal education envisioned an informed, skilled population as central for prosperity. Maternity leave, while initially focusing on the health and well-being of the child, eventually moved toward the consideration of economic factors such as lost wages for women because of child-bearing functions.

If the passage of time had been a key factor in acceptance of a particular social program, day care would have come of age in the 1950s. By comparison, education became compulsory at the elementary level approximately fifty years after Ryerson first made his ideas known. Health insurance became a reality for Canadians in 1968, having been discussed seriously by the British Columbia government in 1919. Maternity leave was provincially legislated as early as 1921 and federally by 1970. Day care existed in Quebec in the 1850s, expanded rapidly, and was publicly discussed around the turn of the century.

The fourth theme involved increased public interest in the form, content and operation of programs. Client groups organized to demand better services public-minded citizens focused attention on inadequacies and identified new needs. Ryerson and other school promoters were articulate, politically influential, and dedicated to a long struggle for education. Health was shaped by powerful and articulate members of national and provincial medical associations, not all of them advocates of universality, but all ready to engage fully in the debate. Day care had its most influential supporters in social reformers who were ambivalent about a role for women outside the home, and its most dedicated in parents who had a period of activity limited by the duration of their children's need.

One explanation of the mid-nineteenth century transition in educational structures from the informal and voluntary to the institutionalized and compulsory relates to numbers: as increased numbers of children attended school, new institutions and interventions were needed to accommodate them. The same situation seems to apply to the gradual extension of universality to the upper reaches of secondary education: as more students stayed at school, public funds were sought for their support.

In health care, as more tax money was directed to support new and existing health care institutions, the public demanded greater access and better services. During the Depression of the 1930s, the number of people left without care brought more people into the debate. Day care and maternity leave drew public interest as labour force participation of women increased during the 1960s.

The fifth theme concerns constitutional developments with regard to jurisdictional divisions of responsibilities. Legislative responsibilities often clashed with social need and financial resources. The responsibility for initiating and for allocating funds for social welfare measures was relegated to the provinces. As the need for broader and more comprehensive measures grew, the provinces found themselves hard pressed to finance new services. The Depression of the 1930s, in particular, led to greatly increased public spending, most of it relief-oriented and provincial, but indicating an obvious need for different means of meeting social needs.

Education, health, and labour legislation were, and are, primarily provincial concerns. However, social and economic forces led to demands for greater government involvement at the federal and provincial levels. The demand for improved and expanded programs in all areas meant that more public revenues were needed. Since the financial resources were more readily found in the federal government, over the century, federal bodies acquired considerable leverage in determining how the money would be spent. While the provinces were still responsible for the provision of services, federal initiative in funding determined the direction of most major programs.

CONCLUSIONS

The period between 1867 and 1967 witnessed major changes in social programs. Much of the transition from individual to local, to provincial, to federal responsiblity was precipitated by increases in the cost, the quantity, and the complexity of programs. Changing attitudes and fluctuating economic circumstances put pressure on legislators to ensure access to programs deemed essential to the common good. In education and in health care, periods of national crisis such as depressions and wars accelerated the development of broader social measures. Both maternity leave and day care programs expanded in response to periods of economic expansion facilitating increased labour participation by women.

Greater public awareness and interpretation of need in these areas was crucial in pushing developments toward universality. The actions and the arguments of proponents for change forced policy makers and legislators to examine the issues internally by committee, and more publicly, through task forces and commissions. Organized and articulate advocates initiated and directed discussions about education and health. Day care and maternity leave programs benefited as well but were hindered somewhat by the lack of a single dedicated lobby group.

The debate over day care was characterized by a pervasive ambivalence on the part of its strongest advocates. A fundamental attachment to the traditional role of women underlay and hindered developments in day care. Because women were the bearers of children, they were also seen as being the most capable caregivers and nurturers. The well-being of the child thus took precedence over support structures which might encourage women's work outside the home.

Government involvement in day care was shaped by these attitudes, and by the historical foundation of this and other programs built on concepts of charity. Socio-economic gaps between users and providers continued to affect

the outcomes. Regional differences in the implementation of social programs reflected the prevailing political climate and the state of economic development.

When the development of day care is set against the evolution of other social programs, it is apparent that most of the same conditions have occurred and many of the elements necessary for change have been present. According to the research, the time has come, in fact is overdue, for the allocation of more public funds, the implementation of extended services, and the provision of quality day care for all.

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NATIONAL DAY CARE COSTING MODEL

Prepared For:

Task Force on Child Care
Ottawa, Ontario

Prepared By:

The DPA Group Inc.
Halifax, Nova Scotia

December, 1984

TABLE OF CONTENTS

EXECUTIVE SUMMARY

The study describes the structure of a child care costing model constructed:

1. to estimate the costs of the current child care system in Canada; and

2. To provide forecasts of the costs of national child care system given various measures of demand, child/staff ratios and staff wage rates.

The model was developed on the basis of the current day care system in Canada. It provides separate and summed results for the two major components of the system: commercial day care centres and family day care homes. In addition, model estimates are sensitive to the three major categories of children:

1. Under the age of 2;
2. Aged 2 to 6 years; and
3. Aged 6 to 12 years.

For each component, the model calculates total costs as the sum of teaching staff costs, support staff costs and facility operating costs. Teaching staff costs are calculated as a function of the number and age composition of children in child care, the regulated child/staff ratios and the prevailing wage rates. Support staff costs are calculated as a function of the number of children and the prevailing wage rate. Facility operating costs are considered a function of total staff costs.

Each "run" of the model reports on number of children in child care, child/staff ratios and costs individually for the current system and for five other systems represented by the following target groups - all children, all children with mothers in the labour force, all children with parents working full-time, all children with parents working or studying full-time and all children whose parents work or study full-time or part-time.

The model estimates the total cost of the current system that is of supplying 156,032 spaces, to be $490 million (1984). This is composed of $464 million for commercial day care operations and $26 million for family day care. Given the five other target groups, the cost estimates vary from a low of $2.4 billion (approximately five times the cost of the current system) for serving all children whose parents work full-time to $11.6 billion for a national system serving all children.

Employment in the current system is estimated at over 21,000 jobs. Expanding the system to cover the other target groups results in employment estimates ranging from 126,000 jobs (for a system serving all children whose parents work full-time) to almost 580,000 jobs for a system serving all children under 12 years of age.

The model is also used for estimating the results of varying child/staff ratios and prevailing wage rates. In the former case, the model estimates that reducing the child/staff ratios by 1 for each target group would result in a 15-20 percent drop in total cost of the system. With respect to increasing wage rates of Centre staff, increasing such wage rates by 28.7 percent to a level recorded for (first level) elementary school teachers results in an estimated total cost increase of approximately 20 percent. In general, total cost increases (in percentage terms) work out to be approximately two-thirds of wage rate percentage increases.

1.0 INTRODUCTION

The Task Force on Child Care contracted The DPA Group Inc. to develop a child care costing model:

(1) to estimate the cost of the current child care system in Canada; and

(2) to provide cost forecasts of a national child care system given various measures of demand, child/staff ratios, and staff wage rates.

The costing model produces its estimates for six measures of demand:

1. The current system, comprised of full-time spaces in registered Centers and Family Dare Care Homes (FDCs).

2. All children in Canada, 0-12 years of age.

3. All children with mothers in the labour force.

4. All children whose parent(s) work full-time.

5. All children whose parent(s) work or study full-time.

6. All children whose parent(s) work or study full-time or part-time.

Children are categorized into three age groups:

1. Under the age of two (0-2 years).

2. Aged from two to six years (2-6 years).

3. Aged from six and including twelve years (6-12 years).

A variety of variables can be set at different levels for the conduct of simulation runs, including:

- total demand
- percentage of demand served
- proportion of demand met by registered Centres and Family Day Care Homes
- child/staff ratios by age group for Centres and Family Day Care Homes
- average annual wage rates for Centres and Family Day Care Homes
- average hours of work per week
- average hours of Centre operation per week
- proportion of total costs accounted for by operating costs.

The cost estimates contained in this report should be interpreted carefully:

- the variety and scope of data on child care is severely limited;

- there is considerable variation between day care facilities in wage rates and conditions of work; and

- there are wide variations in provincial day care standards.

Finally, this study draws heavily from information bulletins released by the National Day Care Information Centre (NDCIC), and on a recently completed study on wages in Centres and FDCs for the Task Force on Child Care (Karyo, 1984).

The report contains three chapters. Chapter 1 provides an introduction to the report.

Chapter 2 describes the methodology used to develop the child care costing model, and the assumptions under which the model operates.

Chapter 3 presents our estimates of cost for the current child care system and provides cost forecasts for a national day care system given various measures of demand, child/staff ratios and wage rates.

For convenience, most tables have been placed in Appendix A.

2.0 THE COSTING MODEL

2.1 Introduction

The costing model was developed on the basis of the current day care system in Canada. It has been constructed to reflect that structure and to allow for calculation of the gross impacts of changes to key parameters in that system. It has been developed as a spreadsheet program using MULTIPLAN software and can be run on an IBM (or IBM-compatible) micro computer.

In this chapter we provide: first, a general discussion of the logic flow of the model and its structure; second, a brief summary of its capabilities and finally, a discussion of the derivation of key model components and elements.

2.2 Model Structure

The model calculates total cost as the sum of teaching staff costs, support staff costs and facility operating costs. In order to perform the calculation, simple mathematical relationships were specified and estimated. Teaching staff costs are a function of the number and age composition of children in child care, the regulated child/staff ratios and the prevailing wage rates. Support staff costs are a function of the number of children and the prevailing wage rates. Facility operating costs are considered a function of total staff costs.

Having specified these relationships, it becomes clear that the key parameters "driving" the model are:

- number of children in child care (i.e., supply of spaces);
- child/staff ratios; and
- wage rates.

Accordingly, the logic flow of the model (see Exhibit 1) is as follows:

1. Estimate the demand, that is, number of children by age group for each target group (all children, children with mothers in the labour force, etc.)

2. Calculate the total supply of spaces in Centres and FDC's as a percentage of total demand served.

3. Allocate the total supply to Centres and FDCs in accordance with the NDCIC (1983) reported ratios.

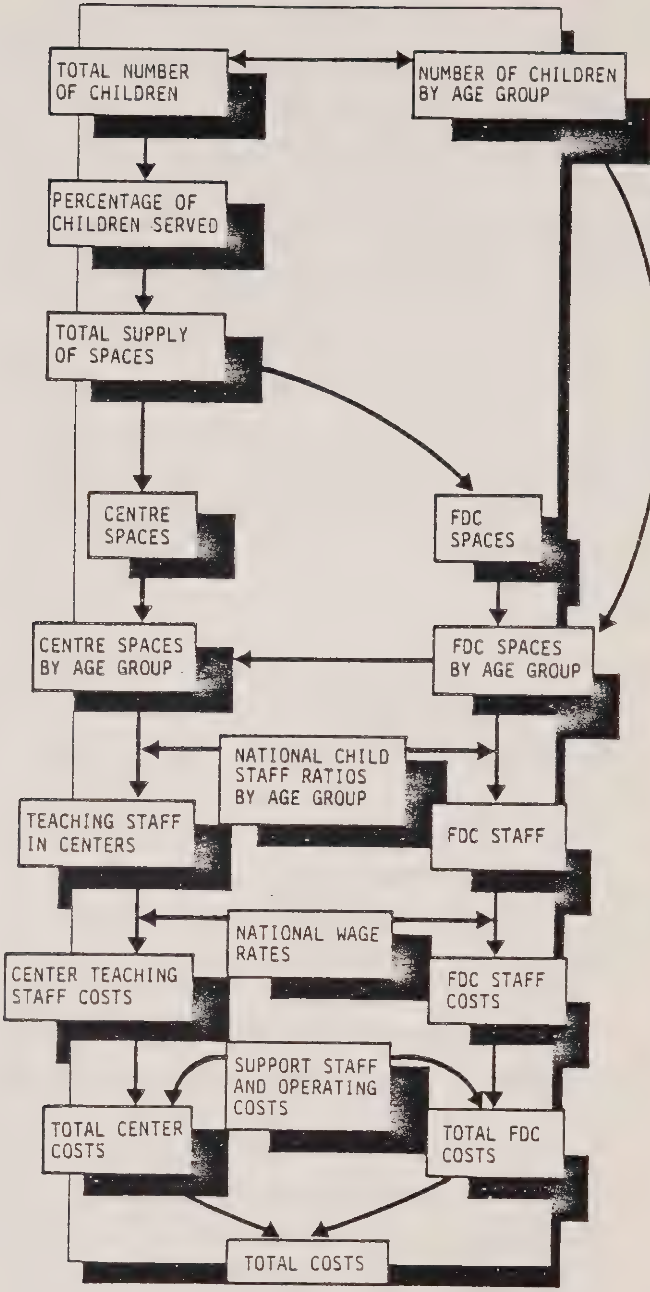
4. Assuming that the age composition of children in FDCs will not change from that reported in NDCIC (1983), allocate children by age group to both the FDCs and Centres.

5. Calculate national child/staff ratios (from NDCIC (1983) data) by age group in Centres and for FDCs as weighted averages of provincial child/staff, and FDC requirements assuming that Centres operate at required levels and FDCs operate at maximum levels.

6. Calculate the number of Centre teaching staff as the number of children in each age group divided by the national child/staff ratio for that age group, and the number of FDC teaching staff as the total number of children in FDCs divided by the FDC child/staff ratio.

7. Calculate total Centre cost as teaching staff costs (number of teaching staff times appropriate national average wage) plus support staff costs (number per child times number of children times appropriate national average wage) plus facility operating cost (a proportion of total staff cost).

EXHIBIT 1: COSTING MODEL LOGIC FLOW



8. Calculate total FDC cost as the teaching staff cost (number of teaching staff times appropriate national wage) plus operating cost (a proportion of staff cost).

9. Calculate total child care system cost as the sum of Centre plus FDC cost.

2.3 Model Capabilities

For each "run" the model reports on demand, supply, child/staff ratios (CSR) and cost individually for the current system and for systems represented by five other target groups (all children, children of mothers in the labour force, etc.). The model also produces other information either directly (number of children served in each group) or indirectly (total number of staff working in child care), which can be reported.

Two types of simulation runs can be conducted:

(1) changes to key variables; and
(2) changes to fixed parameters.

In the first category, numerous variables can be changed either singly or in logical combinations:

DEMAND (either in total or by age group)
PERCENTAGE SERVED
CHILD/STAFF RATIOS
STAFF WAGE RATES
OPERATING COST RATIO

For example, we could:

(1) increase the demand by children in the 0-2 age category;

(2) decrease the percentage served in any target group (on the understanding that all children will not be available for child care, in any category);

(3) decrease the CSRs for 2-6 year old children in Centres and increase the CSR in FDCs;

(4) increase staff wage rates to make them comparable with wage rates in other professions; and

(5) combine (3) and (4) above.

The second category of simulation, changes to fixed parameters, include:

(1) changing the rato of children served in Centres;

(2) changing the age composition of children in FDCs; and

(3) changing the support staff requirements.

For example, we could:

(1) increase the ratio of children served in FDCs;

(2) decrease the proportion of 0-2 year old children in FDCs; and

(3) combine (1) and (3) above.

Chapter 3 reports on the results of the analysis and provides cost forecasts for several simulation runs.

2.4 Key Model Elements

2.4.1 Demand

Demand, in the current day care system, is assumed to equal the total number of children in full-time registered day care Centres (Centres) plus those in Family Day Care Homes (FDCs).

Measures of demand for five other target groups are also considered. These are:

1. All children between 0-12 years of age.
2. All children whose mothers are in the labour force.
3. All children whose parent(s) work full-time.
4. All children whose parent(s) work or study full-time.
5. All children whose parent(s) work or study full-time or part-time.

The last four of these target group categories are those used by the National Day Care Information Centre. Exhibit A1* provides the demand estimates for the three age groups under consideration. Base case estimates provide for satisfaction of 100 percent of demand in each target group.

2.4.2 Supply

Supply of day care spaces is defined as the sum of spaces in Centres and FDCs. The proportion of supply met by Centres is set at 0.8894, (0.1106 for Family Dare Care Homes) the actual 1983 proportions as reported in NDCIC, 1983, p.6. The 1983 data was updated to 1984 using the same percentage growth as from 1982-83 (12.56 percent for Centres, 9.36 percent for FDCs, 12.19 percent for total spaces).

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* For convenience, most Exhibits are placed in Appendix A.

2.4.3 Child/Staff Ratios

National child/staff ratios for the three age groups were calculated as follows:

a) Centres - A matrix consisting of Centre spaces by province and age group (Exhibit A2) was divided by a corresponding matrix consisting of child/staff ratios by province and age group (Exhibit A3). Where two or more ratios occurred within an age group, the staff size was determined on a proportionate basis. The resultant matrix consists of the number of staff by province by age group (Exhibit A4). The study assumes that staff work a 40 hour week. Even though we appreciate that Centres often operate on a 50 hour week, we have learned from a brief telephone survey that incremental supervisory time is often made up by staff working on a shift basis and that child/staff ratios generally apply for peak periods during the day.

   The total staff for each age group was divided into the total Centre spaces by age group to determine the national child/staff ratios (Exhibit A5). The resulting child/staff ratios for the current system for 1984 are:

0-2 years	....	4.15 : 1
2-6 years	....	7.77 : 1
6-12 years	....	11.57 : 1
0-12 years	....	7.63 : 1

b) Family Day Cares - A similar procedure was used to determine a national child/staff ratio for Family Day Care. Because Family Day Care spaces by province were not available by age group, only one ratio (0-6 years) was calculated. Total Family Day Care spaces by province were divided by the maximum allowable children per Family Day Care by province to derive an estimate

of the number of Family Day Care Homes. This estimate of Homes was divided into the total Family Day Care spaces to provide the national child/staff ratio of 5.74:1 (Exhibit A6).

2.4.4 Wage Rates

Wage rates were obtained for teaching and support staff of Centres and for operators of FDCs. We assume that FDC operators carry out both staff functions (teaching and support). The rates were calculated in the following manner:

a) Centres - A review of wage rates referenced in previous studies was undertaken (Exhibit A7). The average rate of $15,163 (1984) contained in the Karyo study was selected as the most current, reliable and nationally representative estimate. This average assumes the composition of a Centre is a combination of administrative staff, experienced and unexperienced workers, and support staff (cook, janitor, secretary). The rate reported by Karyo is somewhat higher (10%) than that estimated by the NDCIC ($13,650)*, but closer to the rate of $12,658 reported in an earlier study,** when that rate is adjusted to $1984 ($14,628).***

   Staff benefits (vacation, sick leave, etc.) were assumed at 9 percent. This figure is widely accepted in the voluntary sector as well as by many municipal agencies.

   The average annual wage rate of $15,163 was divided by the appropriate child/staff ratio to determine the average annual per child cost.

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* Personal communication with NDCIC staff, November, 1984.

** Price Waterhouse (1982).

*** Using a 7.5 percent annual inflation rate.

There is considerably less information available on wages for support staff. We use national average wage rates as reported by Statistics Canada for female cooks and secretaries and for male janitors, to generate an average wage of $12,074.

The Regroupement study (1978) suggested that 1 3/4 hours of support staff time were generally required per child per week. This was based on an assumed 3/4 hour per child per week for cooks, and 1/2 hour per child per week each for janitors and secretaries. This assumption seemed reasonable, and hence, was adopted for use in this study. Average annual support costs per child per year were then calculated by the formula:

(52 weeks x 1 3/4 hours/week) x ($12,074   (52 weeks x 40 hours/week)) = $528.24

b) Family Day Care - The most recently available data on wage rates for FDC operators is contained in the Karyo study (1984), which provided a rate of $3.30 per hour. We use this rate to generate an annual wage of $6,600, assuming 40 hour weeks, 50 weeks per year. Whereas most Centre staff are assumed to be salaried employees, FDC operators are assumed to be self-employed. On the basis of this assumption, a benefit rate was not applied.

2.4.5 Operating Costs

There was little data available on operating costs. The Regroupement study (1978) included five types of operating costs: food, teaching materials, infant needs, office equipment and supplies, rent, and building maintenance. Annual operating costs were projected at $963 per child, or 27.6% of the total cost.

Krashinsky (1975) estimated non-wage costs at about 25 percent of total costs. On the basis of his recent work, he indicates that this percentage is still representative.* A telephone survey of several Centres in Halifax, Nova Scotia, give us the same estimate of 25 percent.

We therefore set operating costs at 25 percent of total costs for both Centres and Family Day Care. Of the six major operating cost components, rent probably accounts for the largest proportion. Centres in small towns and in rural areas, and Centres operated by non-profit groups may conceivably allocate a smaller portion of their budget to rent. Many of these Centres may be able to acquire subsidized rental facilities. Centres in urban areas, particularly in downtown areas, may be expected to pay considerably higher rentals.

2.4.6 Total Costs

Total annual costs were calculated as the sum of teaching staff costs, support staff costs, and facility operating costs for both Centres and FDCs.

Centre teaching staff costs are set at the number of teaching staff required, times the appropriate national average wage. When calculating the number of teaching staff, it was necessary to adjust for the staff requirements for the 6-12 year group. Children in this group are referred to as "latch-key" or "out-of-school day care" children, and generally attend Centres only part of the day. We assume they attend half-days, consisting of 1 hour before school, 1 hour during lunch, and 2 hours after school.**

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* Personal communication, November, 1984.

** Personal communication, NDCIC, December, 1984.

Hence, the formula to calculate teaching staff cost is:

$$(\text{Staff}_{0-2} + \text{Staff}_{2-6} + (\text{Staff}_{6-12}) \times .5) \times \text{Wage Rate}$$

FDC teaching staff costs are calculated as the number of FDC operators required times the national average wage.

Support staff costs are calculated as the average time required per child per year times the average wage rate, times the total number of children in care per year.

Facility operating costs are calculated as 25 percent of total costs (or 33.3 percent of total wage costs).

3.0 COST ESTIMATES

3.1 Introduction

This chapter of the report presents the results of our cost analysis for the current Canadian child care system, and forecasts costs for national child care systems given various measures of demand and supply, child/staff ratios, and wage rates. Exhibit 2 is a copy of the model output showing estimates for the current system (3.2 below) and for variations in demand and supply (3.3 below).

3.2 Current System

The total cost of supplying 156,032 spaces in the current child care system is estimated to be $490 million (1984). Centre costs account for $464 million (or 94.7 percent) of the total cost, the remainder ($26 million) being the estimate of total FDC cost.

The current system is characterized as follows:

Centres:

- 89% of Supply
- 138,785 Spaces
- 18,200 Teaching Staff
- $15,163 Average Teaching Staff Wages
- $12,074 Support Staff Wage
- 4.15:1 Child/Staff Ratio (0-2 Years)
  7.77:1 Child/Staff Ratio (2-6 Years)
  11.57:1 Child/Staff Ratio (6-12 Years)
  7.63:1 Child/Staff Ratio (Overall)
- $464 Million Cost

FDCs:

- 11% of Supply
- 17,247 Spaces
- 3,000 Homes/Teaching Staff
- $6,600 Average Income
- 5.74:1 Child Per Home Ratio
- $26 Million Cost

EXHIBIT 2 NATIONAL DAY CARE COST FORECASTS 1984

	ASSUMPTIONS					
	CURRENT	ALL CHILDREN	MOTHERS IN LF	PARENT(S) WORK FT	PARENT(S) WK/ST FT	PARENT(S) WK/ST F/PT
DEMAND (CHILDREN)	156032	4681200	2268073	1114017	1205155	1524018
% SERVED	100%	100%	100%	100%	100%	100%
SUPPLY (SPACES)	156032	4681200	2268073	1114017	1205155	1524018
CENTRES	138785	4163764	2017372	990879	1071943	1355561
FAMILY DAY CARE	17247	517436	250701	123138	133212	168457
CHILD/STAFF RATIOS						
CENTRES: 0-2 YEARS	4.15	4.15	4.15	4.15	4.15	4.15
2-6 YEARS	7.77	7.77	7.77	7.77	7.77	7.77
6-12 YEARS	11.57	11.57	11.57	11.57	11.57	11.57
AVERAGE	7.63	8.55	8.91	9.39	9.36	9.41
FAMILY DAY CARE	5.74	5.74	5.74	5.74	5.74	5.74
TEACHING STAFF WAGE RATES						
CENTRES	15163	15163	15163	15163	15163	15163
FAMILY DAY CARE	6600	6600	6600	6600	6600	6600
COST ANALYSIS						
COST OF CENTRES	$ MILLIONS					
TEACHING STAFF COSTS	289	6336	2843	1262	1375	1718
SUPPORT STAFF COSTS	59	1758	852	418	453	572
OPERATING COSTS	116	2698	1232	560	609	763
COST OF FDC						
STAFF COSTS	20	595	288	142	153	194
OPERATING COSTS	7	198	96	47	51	65
TOTAL COSTS	490	11585	5311	2429	2641	3311
TOTAL COSTS/CURRENT COSTS	1.00	23.66	10.85	4.96	5.39	6.76

SOURCE: THE DPA GROUP INC., 1984

3.3 Varying Demand and Supply

If the demand were to consist of all children under thirteen years of age (4,681,200) and all demand was supplied, total system cost would be $11,585 million ($11.6 Billion). This implies a new system to current system cost ratio of almost 24 to 1.

If demand consisted of children of mothers in the labour force (2,268,073) and all demand were satisfied, the total system cost would be $5,311 million ($5.3 billion). The new system to current system cost ratio would therefore be reduced to about 11 to 1.

Defining demand as children of parents who work full-time (1,114,017) and satisfying that demand would result in the lowest cost estimate for all demand assumptions: $2,429 million (2.4 billion), with a new to current system cost ratio of approximately 5 to 1.

If we include children of parents who are full-time students (increase of 91,138 to 1,205,155) and satisfy all demand, total system cost would rise to $2,641 million (an increase of 8.7 percent). The new to current system cost ratio would rise slightly to about 5.4 to 1.

Finally, if we include children of parents who work or study part-time (increase of 318,863 to 1,524,018) and satisfy that demand, total system cost would rise by 36.3 percent to $3,311 million. The resulting new to current system cost ratio would be about 6.8 to 1.

Exhibit 3 presents summary data on total cost and teaching staff employment for the current child care system and the five alternative measures of demand. From the Exhibit we can see that for the current system, the model estimates 18,200 jobs in Centres, and 3,004 jobs in FDCs, for a total of 21,204 jobs or

EXHIBIT 3: CHILD CARE COST AND EMPLOYMENT ESTIMATES FOR VARIOUS DEMAND/SUPPLY CONFIGURATIONS

			Employment		
Target Group	Demand/Supply	Total Cost $ Million	Centre Jobs	FDC Jobs	Person-Years
1. Current System:	156,032	490	18,200	3,004	20,475
2. Alternate Systems:					
All Children	4,681,200	11,585	487,190	90,146	473,493
Mothers in the Labour Force	2,226,073	5,311	226,461	43,676	215,714
Parents Work Full-Time	1,114,017	2,429	105,489	21,453	97,787
Parents Work/Study Full-Time	1,205,155	2,641	114,490	23,208	106,389
Parents Work/Study Full-Time/Part-Time	1,524,018	3,311	143,995	29,348	133,274

* Two figures are reported: the number of jobs which include full time jobs for staff dealing with 0-2 and 2-6 year olds and half time jobs for staff dealing with 6-12 year olds; and, the number of person-year equivalents.

Source: The DPA Group Inc., 1984.

20,475 person-years of employment (the number of person-years being less than the number of jobs because not all jobs are full-time). Alternate systems would provide from 97,787 person-years of employment (for the "Parent(s) Working Full-Time" system) to 473,493 person-years (for the "All Children" system).

3.4 Varying Child/Staff Ratios

Estimates of total system costs for satisfying each measure of demand, assuming current child/staff ratios, appeared in Exhibit 3. In Exhibit 4, we present cost estimates of the child care system for increases and decreases in the child/staff ratios.

Reducing the ratios by one child in each age group increases our incremental system cost estimates from $68 million for the current system, to $1,717 million for the "All Children" system. Exhibit A.8 shows how system costs across the various measures of demand change as the child/staff ratios are decreased by one.

Increasing the ratios will have the effect of reducing total system costs. Reducing the ratios by one child across the age group will result in decreasing system costs ranging from $53 million for the current system, to $1,202 million for the "All Children" system. Exhibit A.9 shows how system costs will change when child/staff ratios are increased by one.

While the results discussed are for changing child/staff ratios one at a time, any combination of ratios across the age groups can be assessed in the costing model.

3.5 Varying Wage Rates

Our estimate for the current system is an annual wage of $15,163 for Centres and an annual income of $6,600 for FDCs (see 2.4.4).

Increasing wage rates for teachers to the average level reported for elementary school teachers ($19,516:1984, first level) and increasing the income level rates for FDC operators to $9,900 (a

EXHIBIT 4 CHILD CARE COST ESTIMATES ($ MILLIONS 1984), FOR VARYING CHILD/STAFF RATIOS

	Demand/Supply Total Costs ($ Millions)					
Child/Staff Ratios:	**Current**	**All Children**	**Mothers in Labour Force**	**Parent(s) Work Full-Time**	**Parent(s) Work/Study Full-Time**	**Parent(s) Work/Study Part-Time Full-Time**
0-2 Years:						
3.15	505	12,379	5,612	2,526	2,748	3,443
4.15 (Current)	490	11,585	5,311	2,429	2,641	3,311
5.15	480	11,099	5,127	2,369	2,575	3,231
2-6 Years:						
6.77	537	12,125	5,554	2,537	2,760	3,458
7.77 (Current)	490	11,585	5,311	2,429	2,641	3,311
8.77	453	11,169	5,124	2,345	2,549	3,198
6-12 Years:						
10.57	491	11,801	5,425	2,489	2,706	3,395
11.57 (Current)	490	11,585	5,311	2,429	2,641	3,311
12.57	488	11,403	5,216	2,378	2,586	3,241
FDCs:						
4.74	495	11,752	5,392	2,469	2,684	3,366
5.74 (Current)	490	11,585	5,311	2,429	2,641	3,311
6.74	486	11,467	5,254	2,401	2,610	3,273

Source: The DPA Group Inc., 1984.

50 percent increase in the average hourly rate of $3.30) results in total incremental costs ranging from $123 million for the current system, to $2,821 million for the "All Children" system. Exhibit 5 shows how system costs across the various measures of demand will change for the wage rates applied to the model.

An increase in Centre wage rates of 28.7 percent produces an approximate 20 percent increase in total costs across the six measures of demand. The new system costs range from $600 million for the current system, to $14,010 million for the "All Children" system.

A 50 percent increase in FDC wage rates would have the effect of raising total costs 2.7 percent for the current system, and about 3.9 percent for the five alternate measures of demand. Were just FDC wage rates changed, total system costs would range from $503 million for the current systems to $11,981 million for the "All Children" system.

If both Centre and FDC wage rates were changed, total costs for the current system would rise about 25 percent and about 19 percent for the alternate systems. Total costs would range from $613 million for the current system to $14,802 million for the "All Children" system.

Simulations were also conducted using average wage rates reported for mental retardation counsellors, and for nursing assistants.* Where teacher wage rates were increased to the mental retardation councellor level ($22,103:1984) and FDC income levels increased as a proportion (43.5 percent) of operator to teacher wages in the base run ($9,621:1984), total costs for the current system rose to $678 million (a 38.4 percent increase over the base case, Exhibit 2).

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* Statistics Canada: Mental Retardation Counsellor (CCDO #2399) $16,551 ($ 1980); Nursing Assistant (CCDO #3135) $13,241 ($ 1980). These rates were adjusted to $ 1984 using a 7.5 percent rate of inflation.

EXHIBIT 5: CHILD CARE COST ESTIMATES ($ MILLIONS 1984), INCREASING WAGE RATES

Wage Rates:		Demand/Supply Total Costs ($ Millions)				
	Current	All Children	Mothers in Labour Force	Parent(s) Work Full-Time	Parent(s) Work/Study Full-Time	Parent(s) Work/Study Part-Time Full-Time
A. Increasing to Elementary Teacher Level						
1. Centres: $15,163 (Current)	490	11,585	5,311	2,429	2,641	3,311
: $19,516 (New)	600	14,010	6,399	2,912	3,167	3,969
Incremental Cost	110	2,425	1,088	483	526	658
2. FDCs : $ 6,600 (Current)	490	11,585	5,311	2,429	2,641	3,311
: $ 9,900 (New)	503	11,981	5,503	2,523	2,743	3,441
Incremental Cost	13	396	192	95	102	130
3. Centres: $19,516	613	14,802	6,783	3,101	3,371	4,229
FDCs : $ 9,900						
Incremental Cost	123	2,821	1,280	578	628	788
B. Increasing to Mental Retardation Councellor Level						
1. Centres: $22,103	678	15,814	7,222	3,285	3,573	4,478
FDCs : $ 9,621						
Incremental Cost	188	4,229	1,911	856	932	1,167
C. Increasing to Nursery Assistant Level						
Centres: $17,684	558	13,121	6,005	2,740	2,979	3,735
FDCs: $ 7,697						
Incremental Cost	68	1,536	694	311	338	424

Where teacher wage rates were increased to the nursing assistant level ($17,684:1984) and FDC income levels to $7,697 (1984), total costs rose to $558 million for the current system, a 13.9 percent increase over the base case. Exhibit 5 also shows how system costs will vary across various demand measures for these two wage rate changes.

3.6 Alternate System Simulation

Exhibit 6 shows the results of a simulation in which child/staff ratios and wage rates have been set at different levels. The changes made are:

Child/Staff Ratios:	1:3 (0-2 Years)
	1:8 (2-6 Years)
	1:15 (6-12 Years)
	1:6 (FDC)
Wage Rates:	$19,516 (Centres)
	$ 9,900 (FDCs)

This simulation provides an example of a combination of changes to the model. In this case, we apply "reasonable changes," our appreciation of some of those being suggested in studies we have reviewed or those reflecting directions in the current system.

Under these assumptions, total cost for the current system increases to $620 million. For the alternate measures of demand, total cost increments range from 20.6 to 27.6 percent.

The results, with respect to employment (person-years) range from a decrease of almost 1 percent to an increase of over 2 percent (the estimate for the current system being an increase of 154 person-years or 0.75 percent). These results reflect the fact that the distribution of children in the 0-2, 2-6, and 6-12 age categories differ for the different demand categories and therefore numbers of staff will vary accordingly.

EXHIBI 6: NATIONAL DAY CARE COST FORECASTS 1984 (ALTERNATE ASSUMPTIONS)

	ASSUMPTIONS					
	CURRENT	ALL CHILDREN	MOTHERS IN LF	PARENT(S) WORK FT	PARENT(S) WK/ST FT	PARENT(S) WK/ST F/PT
DEMAND (CHILDREN)	156032	4681200	2268073	1114017	1205155	1524018
% SERVED	100%	100%	100%	100%	100%	100%
SUPPLY (SPACES)	156032	4681200	2268073	1114017	1205155	1524018
CENTRES	138785	4163764	2017372	990879	1071943	1355561
FAMILY DAY CARE	17247	517436	250701	123138	133212	168457
CHILD/STAFF RATIOS						
CENTRES: 0-2 YEARS	3.00	3.00	3.00	3.00	3.00	3.00
2-6 YEARS	8.00	8.00	8.00	8.00	8.00	8.00
6-12 YEARS	15.00	15.00	15.00	15.00	15.00	15.00
AVERAGE	7.58	8.70	9.34	10.27	10.21	10.30
FAMILY DAY CARE	6.00	6.00	6.00	6.00	6.00	6.00
TEACHING STAFF WAGE RATES						
CENTRES	19516	19516	19516	19516	19516	19516
FAMILY DAY CARE	9900	9900	9900	9900	9900	9900
COST ANALYSIS						
COST OF CENTRES	$ MILLIONS					
TEACHING STAFF COSTS	378	8473	3700	1575	1720	2141
SUPPORT STAFF COSTS	59	1758	852	418	453	572
OPERATING COSTS	145	3410	1517	664	724	904
COST OF FDC						
STAFF COSTS	28	854	414	203	220	278
OPERATING COSTS	9	284	138	68	73	93
TOTAL COSTS	620	14780	6621	2929	3190	3988
TOTAL COSTS/CURRENT COSTS	1.00	23.85	10.69	4.73	5.15	6.44

SOURCE: THE DPA GROUP INC., 1984

APPENDIX A

EXHIBITS

EXHIBIT A1: DEMAND FOR DAY CARE BY BREADTH OF COVERAGE AND AGE GROUPING: 1984

	AGE GROUP			
	0-2 Years	2-6 Years	6-12 Years	TOTAL
A. CURRENT SYSTEM:*				
Centres	9,367	112,541	16,869	138,777
Family Day Care	8,810	5,469	2,976	17,255
Total	18,177	118,010	19,845	156,032
B. OPTIONAL SYSTEMS				
All Children**	735,100	1,454,200	2,491,900	4,681,200
Mothers in Labour Force***	306,674	658,826	1,302,573	2,268,073
Parent(s) Working Full-Time***	120,586	297,570	695,861	1,114,017
Parent(s) Working/Studying Full-Time***	131,751	325,949	747,455	1,205,155
Parent(s) Working/Studying Full-Time or Part-Time***	163,758	404,001	956,259	1,524,018

SOURCE:

* National Day Care Information Centre, 1983, pp 5-6. Growth rate from 1983 to 1984 for Centre assumed at 12.56% per annum; FDC at 9.36%; total demand at 12.19%.

** Unpublished Statistics Canada data.

*** National Day Care Information Centre, 1983 pp. 13-15. Growth rate from 1983 to 1984 assumed at: 0.492% for 0-2 years; 1.267% for 2-5 years; -1.307% for 6-12 years. Percentages represent the annual rate of change by age category from 1983 to 1984 as projected by Statistics Canada (unpublished estimates).

EXHIBIT A2: CENTRE SPACES BY PROVINCE AND AGE GROUP: 1983

	AGE GROUP			
	0-2 Years	2-6 Years	6-12 Years	TOTAL (0-12 yrs)
British Columbia	480	8,831	3,472	12,783
Alberta	1,733	18,437	2,813	22,983
Saskatchewan	-	2,613	494	3,107
Manitoba	-	5,532	1,875	7,407
Ontario	2,330	38,297	4,566	45,193
Quebec	3,370	19,984	723	24,077
New Brunswick	264	2,055	469	2,788
Nova Scotia	145	3,336	525	4,006
P.E.I.	-	313	-	313
Newfoundland	-	585	50	635
CANADA	8,322	99,983	14,987	123,292

SOURCE: National Day Care Information Centre, 1983, p. 10.

EXHIBIT A3: CENTRE STAFF/CHILD RATIOS BY PROVINCE AND AGE GROUP: 1983

	AGE GROUP		
	0-2 Years	2-6 Years	6-12 Years
British Columbia	1:4	1:4 (2-3 yrs) 1:8 (4-5 yrs)	1:8
Alberta	1:3 (0-1½ yrs) 1:5 (1½-2 yrs)	1:8 (2-4 yrs) 1:10 (5 yrs)	1:10
Saskatchewan	1:5	1:5 (2-2½ yrs) 1:10 (2½-5 yrs)	1:15
Manitoba	1:4	1:8	1:15
Ontario	1:3.3 (0-1½ yrs) 1:5 (1½-2 yrs)	1:5 (2-2½ yrs) 1:8 (2½-4 yrs)	1:15
Quebec	1:5 (0-1½ yrs) 1:8 (1½-2 yrs)	1:8	1:15
New Brunswick	1:3	1:5 (2 yrs) 1:7 (3 yrs) 1:10 (4 yrs) 1:12 (5 yrs)	1:15
Nova Scotia	1:7	1:7 (2-4 yrs) 1:15 (5 yrs)	1:15
P.E.I.	1:3	1:5 (2 yrs) 1:10 (3-4 yrs) 1:12 (5 yrs)	1:12 (6 yrs) 1:15 (7-12 yrs)
Newfoundland	-	1:16 (2 yrs) 1:8 (3-5 yrs)	1:8 (6 yrs) 1:15 (7-12 yrs)

SOURCE: National Day Care Information Centre, 1982.

EXHIBIT A4: CENTRE STAFF REQUIREMENTS BY AGE GROUP - CANADA AND THE PROVINCES

	AGE GROUP			
	0-2 Years	2-6 Years	6-12 Years	TOTAL (0-12 yrs)
British Columbia	120	1,656	434	2,210
Alberta	520	2,189	281	2,990
Saskatchewan	0	294	33	327
Manitoba	0	692	125	817
Ontario	646	4,747	304	5,697
Quebec	611	2,498	48	3,157
New Brunswick	88	270	31	389
Nova Scotia	21	413	35	469
P.E.I.	0	38	0	38
Newfoundland	0	73	4	77
CANADA	**2,006**	**12,870**	**1,295**	**16,171**

Source: Calculated from Exhibits A1, A2 and A3.

EXHIBIT A5: NATIONAL CHILD/STAFF RATIOS: CENTRES

	AGE GROUP			
	0-2 Years	2-6 Years	6-12 Years	TOTAL (0-12 yrs)
Number of Centre Spaces	8,322	99,983	14,987	123,292
Number of Staff	2,006	12,870	1,295	16,171
Child/Staff Ratios	4:15:1	7.77:1	11.57:1	7.63:1

Source: Calculated from Exhibits A1, A2 and A4.

EXHIBIT A6: NATIONAL CHILD/STAFF RATIOS: CENTRES

	Spaces*	Maximum FDC Size**	Number of FDC Homes
British Columbia	2,818	7	403
Alberta	3,159	6	527
Saskatchewan	1,404	8	176
Manitoba	1,239	8	155
Ontario	5,889	5	1,178
Quebec	1,182	4	296
New Brunswick	-	5	-
Nova Scotia	68	5	14
Prince Edward Island	19	6	3
Newfoundland	-	4	-
CANADA	15,778	-	2,750

Child/Staff Ratio = 5.74:1

Source: * National Day Care Information Centre, 1983, p. 10.

** Bates, H. B., 1984. These figures represent maximum allowable children in the FDC home, and generally include the operator's own children. Although most provinces have maximums for differing age groups, these variations were not taken into account.

EXHIBIT A7: AN UAL WAGE RATES: CENTRES

Source:*	Teaching Staff: Director	Teaching Staff: Exper. Worker	Teaching Staff: Unexper. Worker	Teaching Staff: Average	Support Staff: Cook	Support Staff: Janitor	Support Staff: Secretary	Support Staff: Average
Regroupement, 1978	20,508	15,839	10,862	15,736	15,839	10,445	13,086	13,123
Chevarie, 1978**	-	14,269	9,786	12,027	7,215	5.15m**	-	-
McCormick, 1980	-	-	-	10,166	-	-	-	-
Krashinsky, 1977***	12,900	9,955	7,480	10,111	-	-	-	-
Karyo, 1984****	20,363	14,830	10,587	15,163	-	-	-	-
NDCIC, 1984*****	19,351	12,000	9,600	13,650	-	-	-	-
St. Joseph's, 1984******	18,500	12,000	10,000	13,500	-	-	-	-
Statistics Canada, 1984*******								
(Male)	-	-	-	-	13,025	13,899	18,803	15,242
(Female)	-	-	-	-	9,508	9,637	12,816	10,654
Price Waterhouse, 1982********	17,161	11,308	9,506	12,658	-	-	-	-

* Wage rates have not been converted to 1984 dollars.
** As quoted in Regroupement, 1978. Janitor wage is based on hourly rate per square meter.
*** Rates are for Centres in Metro Toronto in 1975.
**** Hourly wage rates converted to annual using 40 hours/week, 52 weeks/year. Agency Director ($9.79), Teacher ($7.13), Aide ($5.09), Average ($7.29).
***** Estimates provided by NDCIC. Rate for Director is an average across three provinces; rates for workers are based on the average for a single province.
****** Averages provided by St. Joseph's Day Care Centre, Halifax, Nova Scotia.
******* Statistics Canada, 72-002.
******** Based on averages across seven provinces for Director wages, across six provinces for Experienced Workers, and across two provinces for Unexperienced Workers.

EXHIBIT A8: CHILD CARE COST ESTIMATES FOR REDUCING CHILD/STAFF RATIOS BY ONE ($ MILLIONS 1984)

Age Group:	0-2 Years	2-6 Years	6-12 Years	FDCs
Ratio:	3.15	6.77	10.57	4.74
		($ Millions)		
1. Current:				
Total Cost	505	537	491	495
Incremental Cost	15	47	1	5
Total Incremental Cost	68			
2. All Children:				
Total Cost	12,379	12,125	11,801	11,752
Incremental Cost	794	540	216	167
Total Incremental Cost	1,717			
3. Mothers in Labour Force:				
Total Cost	5,612	5,554	5,425	5,392
Incremental Cost	301	243	114	81
Total Incremental Cost	739			
4. Parent(s) Working Full-Time:				
Total Cost	2,526	2,537	2,489	2,469
Incremental Cost	97	108	60	40
Total Incremental Cost	305			
5. Parent(s) Working/Study Full-Time:				
Total Cost	2,748	2,760	2,706	2,684
Incremental Cost	107	119	65	43
Total Incremental Cost	334			
6. Parent(s) Working/Study Full-Time/Part-Time:				
Total Cost	3,443	3,458	3,395	3,366
Incremental Cost	132	147	84	55
Total Incremental Cost	418			

Source: The DPA Group Inc., 1984.

EXHIBIT A9: CHILD CARE COST ESTIMATES FOR INCREASING CHILD/STAFF RATIOS BY ONE
($ MILLIONS 1984)

Age Group:	0-2 Years	2-6 Years	6-12 Years	FDCs
Ratio:	5.15	8.77	12.57	6.74
	($ Millions)			
1. **Current:**				
Total Cost	480	453	488	486
Reduced Cost	10	37	2	4
Total Reduced Cost	53			
2. **All Children:**				
Total Cost	11,099	11,169	11,403	11,467
Reduced Cost	486	416	182	118
Total Reduced Cost	1,202			
3. **Mothers in Labour Force:**				
Total Cost	5,127	5,124	5,216	5,254
Reduced Cost	184	187	95	57
Total Reduced Cost	523			
4. **Parent(s) Working Full-Time:**				
Total Cost	2,369	2,345	2,378	2,401
Reduced Cost	60	84	51	28
Total Reduced Cost	167			
5. **Parent(s) Working/Study Full-Time:**				
Total Cost	2,575	2,549	2,586	2,610
Reduced Cost	66	92	55	31
Total Reduced Cost	182			
6. **Parent(s) Working/Study Full-Time/Part-Time:**				
Total Cost	3,231	3,198	3,241	3,273
Reduced Cost	80	113	70	38
Total Reduced Cost	225			

Source: The DPA Group Inc., 1984.

APPENDIX B

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** ** **

POSTSCRIPT

The estimates contained in the main body of this report were produced in December 1984, prior to data being available on the number of licensed spaces in that year. The attached forecasts were produced using, in the case of Tables 1 and 2, 1984 population estimates, data on child care spaces and the demand for full-day child care (see Table 4.2 in the Task Force report), and in the case of Table 3, projections to the year 2001.

Table 1 shows total program costs, using 1984 wage rates and child:staff ratios. Three cases are presented:

1) Cost of operating the 171 654 spaces actually in existence in 1984: $516 million.

2) Cost of providing care for all 1 950 000 children whose parent(s) worked or studied at least 20 hours each week in 1984: $4.0 billion. The model assumes that the 633 000 children aged 0 to 5 years received full-day care and that the 1 317 000 children aged 6 to 12 required one-half the number of hours of care of the younger children.

3) Cost of providing care for all children who required it in 1984: $7.05 billion. This includes care for 1 950 000 children as in (2) plus:
   (a) half-day care for all remaining children aged 2 to 5 -- 1 010 200 children -- for example, children with one parent who worked or studied fewer than 20 hours in the week or who was a full-time homemaker;
   (b) quarter-day care for children aged 0 to 2 (556 300 children) who had one parent who worked or studied fewer than 20 hours in the week or who was a full-time homemaker; and
   (c) no child care required for children aged 6 to 12, when their parent(s) worked or studied fewer than 20 hours in the week or who were full-time homemakers.

Table 2 shows total program costs for the same 3 population groups, when:

(a) the child:staff ratios for infant care in all jurisdictions are set at the "quality" level of 3:1, identified in Chapter 6 of the Task Force report, and the child:staff ratio for licensed family homes reduced to 5:1; and
(b) wage rates are increased to a level commensurate with nursing assistants for child care workers in licensed centres, and increased by 50 per cent for licensed family home care providers.

With these changes to the system, the total cost of providing care rises to:

(a) $634 million, if only the existing 171 654 spaces are provided;
(b) $4.96 billion, if only the "core need" group of 1 950 000 children receives care; and
(c) $8.95 billion, if <u>all</u> children receive the care they require.

Table 3 shows total program costs in the year 2001, using "quality" child:staff ratios and wage rates equal to those of nursing assistants, as in Table 2. Additional assumptions were required regarding future fertility rates, change in full-time employment rate of parents; and changes in real wages. The following assumptions were used:

(1) We used Statistics Canada's middle-of-the-road population projection no. 4 (constant fertility rate of 1.66 and net immigration of 100 000 persons per year) presented in its publication Population Projections for Canada, Provinces and Territories, 1984-2006 (May 1985, Catalogue No. 91-520). According to this projection there will be 4 738 900 children under 13 in Canada in 2001, of whom 670 900 will be under 2 years of age, 1 401 700 will be aged 2 to 5 years and 2 626 300 will be 6 to 12 years of age.

(2) We have assumed that the participation rate of mothers with children of all ages will rise between 1984 and 1996 at the same rate that the participation rate rose for mothers with children aged 6 to 15 between 1976 and 1984 (i.e. at a rate of 1.75 percentage points per year.) We consider this rate of increase to be reasonable because: (a) participation rates for mothers with younger children rose more quickly over the same period and (b) the participation rate of mothers with children under three in 1984 at 51.5 per cent resembles the rate for mothers with children aged 6 to 15 in 1976 (50%). See Chapter 15 of the Task Force report for further discussion of this point. Thus, in 2001, we can expect the labour force participation rate to be 73 per cent for women whose youngest child is less than 3 years of age; 78 per cent for women whose youngest child is aged 3 to 5; and 85 per cent for women whose youngest child is 6 to 15. These participation rates, while high, are plausible, since the participation rates of married men (the closest comparative data) was 95.5 per cent in 1984 and for childless women under 55 was 73 per cent.

(3) In addition, we assumed that the relationship between the participation rates of mothers and the proportion of children whose parents were employed more than 20 hours per week, would remain constant over the period. In other words, we assumed that the proportion of employed parents working fewer than 20 hours per week versus those working more than 20 hours, would neither rise nor fall. Applying assumptions (2) and (3), we find that, of the 4 738 900 children under 13 in Canada in 2001, 2 684 800 (56.7%) will have parents who work or study at least 20 hours each week (240 500 infants, 588 200 preschoolers and 1 856 100 6-to-12-year-olds) and 2 054 100 will have a parent who is employed fewer than 20 hours in the week or who is a full-time homemaker (430 400 infants, 813 500 preschoolers and 810 200 6-to-12-year-olds).

(4) Finally, we assumed a modest increase in real wage rates over the period, equal to 1.5 per cent per year.

Applying these assumptions, the cost of providing quality child care for the three population groups in 2001 is as follows:

(1) $752 million for the existing 171 654 spaces.

(2) $7.36 billion, if only the "core need" group of 2 684 800 children is served.

(3) $11.27 billion, if <u>all</u> children receive the essential care they require.

All estimates are expressed in 1984 dollars.

Table 1

National Day Care Cost Forecasts 1984

	Assumptions		
	Current	All Children	Parent(s) Work/Study 20 or More Hours
Number of Child Care Spaces	171 654	4 688 600	1 950 000
Centres	149 965	4 096 181	1 703 612
Family Day Care	21 689	592 419	246 388
Child:Staff Ratios			
Centres: 0-2 years	4:15	4:15	4:15
2-6 years	7:77	7:77	7:77
6-12 years	11:57	11:57	11:57
Average	7:74	8:44	9:66
Family Day Care	5:74	5:74	5:74
Teaching Staff Wage Rates			
Centres	15 163	15 163	15 163
Family Day Care	6 600	6 600	6 600

	Cost Analysis ($ millions)		
Cost of Centres:			
Teaching staff costs	299	3 313	1 997
Support staff costs	63	1 297	719
Operating costs	121	1 536	905
Cost of Family Day Care			
Staff costs	25	681	283
Operating costs	8	227	94
Total Costs	516	7 054	4 000
Total Employment			
Staff	19 364	485 587	176 400
Staff person years	18 081	200 437	120 846

Source: The DPA Group Inc., 1984.

Table 2

National Day Care Cost Forecasts 1984

	Assumptions		
	Current	All Children	Parent(s) Work/Study 20 or More Hours
Number of Child Care Spaces	171 654	4 688 600	1 950 000
Centres	149 965	4 096 181	1 703 612
Family Day Care	21 689	592 419	246 388
Child:Staff Ratios			
Centres: 0-2 years	3:00	3:00	3:00
2-6 years	7:77	7:77	7:77
6-12 years	11:57	11:57	11:57
Average	7:33	7:65	9:17
Family Day Care	5:00	5:00	5:00
Teaching Staff Wage Rates			
Centres	17 684	17 684	17 684
Family Day Care	9 900	9 900	9 900

	Cost Analysis ($ millions)		
Cost of Centres:			
Teaching staff costs	369	4 240	2 511
Support staff costs	63	1 297	719
Operating costs	144	1 845	1 077
Cost of Family Day Care			
Staff costs	43	1 173	488
Operating costs	14	391	162
Total Costs	634	8 946	4 958
Total Employment			
Staff	20 448	535 302	185 848
Staff person years	19 165	219 952	130 294

Source: The DPA Group Inc., 1984.

Table 3

National Day Care Cost Forecasts 2001

	Assumptions		
	Current	All Children	Parent(s) Work/Study 20 or More Hours
Number of Child Care Spaces	171 654	4 738 900	2 684 800
Centres	149 965	3 432 297	2 345 567
Family Day Care	21 689	1 306 603	339 233
Child:Staff Ratios			
Centres: 0-2 years	3:00	3:00	3:00
2-6 years	7:77	7:77	7:77
6-12 years	11:57	11:57	11:57
Average	7:33	7:99	9:37
Family Day Care	5:00	5:00	5:00
Teaching Staff Wage Rates			
Centres	22 777	22 777	22 777
Family Day Care	12 751	12 751	12 751
	Cost Analysis ($ millions)		
Cost of Centres:			
Teaching staff costs	476	6 056	4 270
Support staff costs	63	1 449	990
Operating costs	144	1 845	1 077
Cost of Family Day Care			
Staff costs	55	1 527	865
Operating costs	14	391	162
Total Costs	752	11 268	7 364
Total Employment			
Staff	20 448	518 029	250 316
Staff person years	19 165	243 911	171 977

Source: The DPA Group Inc., 1984.

AN OVERVIEW OF SOME FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS AND PROPOSED OPTIONS FOR FINANCING A SYSTEM OF CHILD CARE IN CANADA

Background Paper
Prepared for the
Task Force on Child Care

Karen Stotsky
January 1985

TABLE OF CONTENTS

PART I: AN OVERVIEW OF SOME FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS

Introduction

The purpose of this paper is two fold: (1) to examine some models of federal-provincial fiscal arrangements in which federal contributions are made to programs under provincial jurisdiction; and (2) to propose some options for financing a child care system in Canada.

The paper first examines the principles of fiscal federalism and outlines some of the reasons for federal fiscal involvement in programs which are seen to be areas of provincial jurisdiction. Next, three different federal-provincial funding mechanisms are examined, using as a point of discussion a program example. The three mechanisms discussed are unconditional transfer payments, using the example of the fiscal equalization program; conditional transfer payments, using as an example Established Programs Financing (EPF); and conditional cost-sharing, using the Canada Assistance Plan (CAP) as a model.

In the last section, options for financing a child care system will be proposed, using these mechanisms, or variations thereof.

Fiscal Federalism

As a federation, the Canadian system of government is characterized by a division of powers between two levels of government with a written constitution specifying the powers of each. Because these levels of government are highly interdependent, however, both autonomy and co-operation are required. This is particularly true in areas of public finance.

Due to the nature of federalist systems, all federations must deal with four broad public finance issues (referred to as fiscal federalism issues).[1] These include:

- maintaining a reasonable balance between the revenue needs and fiscal responsibilities of each order of government;
- ensuring that all provinces are able to provide reasonably comparable levels of public service without unduly burdensome levels of taxation;
- ensuring that policy measures adopted by one order of government do not offset measures taken by the other; and
- financing provincial programs deemed to be of national interest.

Federal Contributions to Provincial Programs

In many programs and activities recognized as provincial jurisdiction under the Constitution Act, 1867, a federal presence has been established. There are, historically, several reasons for this. In some cases, there was a desire to ensure that all citizens, regardless of where they lived, would have access to roughly the same level of public services. Since one region may not

have the fiscal capacity to provide the same level of public service as another, grants from the federal government assist in equalizing the provinces' ability to provide roughly comparable levels of service. In other cases, federal funds have been justified on the basis that public sector activities of one jurisdiction benefit the residents of another jurisdiction (referred to as "interjurisdictional spill-over"). A provincial highway system, for example, benefits not only the residents of that province but residents of neighbouring provinces as well. The federal presence has also evolved as a result of a commitment to co-ordinate programs deemed to be of national interest (such as medicare), because it has richer financial resources, or in response to public demand. Thus, over the years the federal government, through its spending power, has played an influential role in initiating, assisting, or enhancing programs such as education, health and social services, even though these programs are clearly recognized to be under provincial jurisdiction.

Federal-Provincial Fiscal Arrangements

The transfer of funds from the federal government to provincial governments is an important aspect of the federalist system, and constitutes a significant source of revenue to many provinces. These transfers take many different forms. This paper will examine three of the largest federal transfer programs - equalization, Established Programs Financing (EPF), and the Canada Assistance Plan (CAP) - as examples, respectively, of an unconditional grant, a conditional grant, and a conditional cost-sharing mechanism.

An unconditional grant is one which can be put to any use the recipient province desires.[2] This type of grant is usually calculated on the basis of a pre-determined, agreed-upon formula and then transferred to recipient provinces at regular intervals. Because the grants are unconditional, there are usually no requirements for the provinces to account for how the money is spent.

A conditional grant, on the other hand, must be spent in a particular way. Such a grant is made on the condition that provinces meet specified requirements. Consequently, relevant information is usually required from the provinces in order to ensure compliance with the stipulated conditions.

Grants are cost-shared when the recipient province is required to match the funds. In a 50-50 cost-shared grant, for example, the federal and provincial governments each pay half the cost of the program/service expenditure. If a grant is cost-shared, it can be open-ended or close-ended. With open-ended grants, there is no limit on the amount of expenditures the federal government will cost-share. In a close-ended grant, a ceiling is imposed.

Transfers can also be distinguished by the way they are financed: they may come from federal general revenues, take the form of a tax transfer, or be a combination of both.

The next section examines three types of transfer payments in more detail.

Fiscal Equalization

Fiscal equalization is an unconditional transfer payment made from the federal government to each eligible provincial government. The program, which began in 1957, is intended to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of public goods and services at reasonably comparable levels of taxation. Where a province's fiscal capacity is deemed to fall below a determined standard, that province is given an unconditional grant by the federal government to "top-up" its capacity to the standard level. In view of the purpose of the program, payments are made free of conditions: the federal government does not suggest or require that these monies support particular programs or activities, nor are the provincial governments required to account for how the funds are expended. "The argument that these payments should be unconditional rests on the belief that differing circumstances and priorities of residents of different provinces, as well as those of their elected governments, must be respected."[3]

The program, which makes it possible for any province to achieve the national average per capita fiscal capacity by levying national average rates of taxation, has two elements: the measure of fiscal capacity of a province, and a standard to which each province is entitled to be raised. "The formula ensures that all provinces have per capita revenues equal to the per capita average of what national average tax rates would generate in five designated provinces."[4]

The fiscal capacity of each province is currently measured by estimating the per capita yield in each province of 33 different sources of revenue (such sources include retail sales tax, gasoline tax, motor vehicle tax, tobacco tax), using the average provincial rate of tax for each such source.

Any province which has, for a given source, a per capita yield that is below the standard per capita yield has an equalization entitlement equal to the shortfall, multiplied by its population.

The standard used in the present formula is the average per capita fiscal capacity for the five provinces of Ontario, Québec, Manitoba, Saskatchewan and British Columbia. The standard is considered to be "representative" because it excludes the richest province (Alberta) and the poorest (the four Atlantic provinces), each with approximately 9% of total provincial population.[5]

The procedure of comparing each province's per capita fiscal capacity with that of the five-province standard is repeated for each of 33 different revenue categories. If the province's net fiscal capacity is below the standard, the province has an equalization entitlement equal to the net per capita total, multiplied by its population.

The present system also has three special features: a transition provision to protect provinces against losses resulting from the recent shift to the current system; a sliding scale floor to protect provinces against large decreases in entitlement; and a ceiling provision.

In 1983-84, $5.2 billion was transferred to the six provinces (Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, Québec and Manitoba) which were eligible on the basis that their fiscal capacities fell below the standard.[6] In each of these, but particularly in the four Atlantic provinces, equalization payments comprise a substantial portion of total revenues. The monies can be used to reduce taxes or to increase expenditures. A comparison of per capita expenditures of the "have" and "have-not" provinces suggests that equalization payments are generally used to maintain or increase the level of public goods or services provided by the provincial government.

Within the application of the fiscal equalization program itself, several issues have been raised, among them, how to measure how "well-off" provinces are, and what is an appropriate and equitable standard for comparison.

Other, more global, issues have been raised with respect to unconditional transfer payments in general as a method of federal/provincial financing. The purpose of this particular grant is to close or reduce a fiscal gap. How applicable is the mechanism of unconditional grants for other purposes? How much is the federal government willing to allocate to programs under provincial jurisdiction? How much is the federal government willing to allocate in such a situation where there is no way of knowing how the monies are being spent? Can there be any degree of certainty that the federal government will provide this funding on a long-term basis?

In another type of financing agreement, the federal government provides a conditional transfer payment to the provinces. This is the case with Established Programs Financing (EPF), the arrangement through which the federal government contributes to the provincially-administered programs of hospital insurance, medical care and post-secondary education.

Established Programs Financing (EPF)

Prior to 1977, hospital insurance, medical care, and post-secondary education (the so-called "established programs") were individually cost-shared by the federal and provincial governments, based on specified formulas. Problems with this arrangement, among them lack of expenditure predictability by the federal government, and a desire for more flexibility by the provinces, led to a new funding formula which has come to be known as "block-funding".

Under the new formula, contributions are no longer tied, as they were under the previous arrangements, to program expenditures; rather, their increase depends largely on the rate of growth in the GNP.

Each province's or territory's entitlement is equal to the national average per capita contribution to these programs in a base year (1975-76), escalated by the rate of growth in the Canadian economy,[7] and multiplied by the population of that province or territory.

The federal contribution takes the form of both cash and tax transfers.

The tax transfer refers to a reduction in federal income taxes, accompanied by a corresponding increase in provincial income taxes. The tax transfer consists of 13.5 personal income tax points, and one corporate income tax point, equalized to the five-province standard under the general equalization formula. (One personal income tax point is 1% of basic federal tax, and one corporate income tax point is 1% of corporate taxable income.)

The cash payment is the difference between a province's total entitlement and its tax transfer.[8]

The provinces and territories also receive a grant of $20 per capita, escalated from 1977-78 by the rate of growth of the GNP, as part of the EPF package. This grant covers extended health care services such as nursing home intermediate care service, adult residential care service, and home care service.

In 1983-84, the cash transfer to all provinces and territories in respect of EPF amounted to approximately $6.3 billion; the value of the tax transfer, to about $6.3 billion; and for extended health care, $915 million, for an estimated total federal contribution of $13.5 billion.[9] The cash transfer is paid to the provinces by Health and Welfare Canada (for the insured health services portion) and by Secretary of State (for the post-secondary education portion).

EPF is in reality a partly-conditional transfer payment because the federal government does not now, nor has in the past, placed any conditions on the provinces with regard to how the cash portion of the post-secondary education component is spent (other than that the contribution is intended for post-secondary education purposes). Since 1977, there are no accounting mechanisms required to ensure that the contribution is actually spent on post-secondary education. The cash contribution for the insured health services component, however, is considered to be conditional. The cash payment is made with the intention that the provinces comply with the five program criteria of medicare as set out in the original enabling legislation: universality, accessibility, comprehensive coverage, portability, and public administration. (The term "national standards" in health care usually refers to these program conditions.) There are also requirements relating to information dissemination and federal government visibility. The Canada Health Act, passed in April 1984, defines and clarifies the program conditions, details the statistical information required from the provinces to ensure program compliance, and imposes dollar-for-dollar deductions from those provinces that permit extra-billing or user charges. If it is found that provincial delivery of insured services violates any of the program conditions, a stipulated portion of that province's cash allocation can be withheld.

The transition from cost-sharing to block-funding these programs has meant significant changes. No longer is there a cost-shared grant, in which provinces receive federal money based on actual program expenditures; now there is a lump-sum grant. These transfers are non-matching and close-ended. Because the transfer is escalated by the GNP, increases depend on the state of health of the economy, rather than rising program costs.

Several issues have been raised with respect to EPF, many of which apply to conditional grants in general. Are the provinces contributing their

"fair share" to program expenses? Can the federal government actually be sure that its contribution is being spent on the three established programs? How secure is the federal commitment to continue financing these programs? Are the insured services' program conditions being met to a degree that ensures compliance with "national standards"?

In contrast to a conditional block-funded transfer, the Canada Assistance Plan exemplifies a conditional cost-shared grant.

Canada Assistance Plan

The Canada Assistance Plan (CAP) is a conditional cost-shared program; through CAP, the costs of assistance and welfare services are shared by the federal and provincial governments on a 50-50 basis. The contribution is open-ended; no ceiling is placed on the amount of money available to the provinces through CAP.

If the provinces wish the federal government to pay part of the cost of assistance or welfare service expenditures, they must meet certain conditions: have enabling welfare legislation; provide cash or benefits to persons in need and welfare services to those in need or likely to be in need; and maintain records and accounts. For those receiving assistance, provinces must also develop an appeals procedure and may not require residency as a pre-condition for eligibility. Agencies providing welfare services must be approved both provincially and by CAP (approved agencies include provincial and municipal departments and non-profit agencies). In order to be reimbursed its 50% share by the federal government, the provinces must first spend their funds. Most provinces assume the entire 50% portion of their eligible expenditures; other provinces, such as Ontario, require municipal contributions in funding some types of assistance and services.

CAP provides benefits under two provisions: assistance and welfare services. Assistance means aid to persons in need in respect of basic requirements (food, shelter, clothing, fuel, utilities); items of special need; health services not covered by the Canada Health Act; certain welfare services; care in special types of homes (such as homes for battered women); travel and transportation; and funerals and burials. Assistance is usually provided in the form of cash or benefits in kind and given directly to the individual in need.

Criteria for eligibility of those in need are determined by one of three measures: children in care of the child welfare authority, foster children, or by a needs test.[10] The needs test and the level of social assistance are established by each province, and both vary from one province to another. Although provinces set their own tests of need, they must identify eligible clients by a measure acceptable to CAP in order to be reimbursed.

Welfare services cost-shared by CAP must be delivered through approved agencies and include such programs as day care, rehabilitative services (including activity centres for the disabled), homemakers, counselling and assessment. These services are available to persons in need or likely to be in need; usually the agency providing the service is funded directly by the province.

The definition of "persons who are likely to become in need" is not precise. The phrase is a way of attempting to deal with disadvantaged people who, it is judged, might be able to avoid dependence on social assistance if they receive welfare services, such as day care, homemaker services, rehabilitation services, child welfare services, and family counselling. The eligibility of "persons who are likely to become in need" may be determined by a needs test, or an income test,[11] although other criteria have sometimes been used. Elderly recipients of the Guaranteed Income Supplement are eligible, for example; or the criterion of a "community of need" may establish need by economic or demographic data related to the area of population served.[12]

A key issue regarding these tests is that of the congruence between provincial and federal criteria. Each province is free to set its own criteria for eligibility, but the service will only be cost-shared to the extent that the provincial levels do not exceed those set by the federal government. Thus if provincial criteria are harsher than those set federally, the province will not be taking full advantage of available federal funds. If the provincial criteria are more generous, however, than those allowed federally, the total amount will not be cost-shareable.

It is estimated that in 1983-84, the federal government transferred to the provinces approximately $3.8 billion under CAP,[13] of which $75 million was for child care services.[14]

The number and level of cost-shared services varies across the country, depending on each province's political priorities and its ability to commit the initial funds. Some provinces find it difficult to commit half the costs of initiating or maintaining the specified services. Others find the eligibility criteria too restrictive and would like more flexibility in items (such as capital costs) they would like to see cost-shared. Others view conditional cost-shared grants as interference with their expenditure priorities.

Other Grants

There are a number of federal grant programs designed to assist the provinces in developing particular industries, especially in rural and low-income areas. These grants are usually cost-shared at 50% and are close-ended. A number of other conditional grants are operated through several government departments. The formulas vary widely; they are usually close-ended and negotiated on a project-by-project basis. They may or may not be cost-shared; if so, the rate is usually 50%.[15] Usually these grants are intended for specific purposes such as crop damage programs, water and air transport projects, national parks, etc.

Using the federal-provincial financing mechanisms examined above, or variations thereof, the next section of the paper will examine three options which have recently been proposed for financing a child care system in Canada.

PART II: PROPOSED OPTIONS FOR FINANCING A SYSTEM OF CHILD CARE

Introduction

The provision of child care in Canada is still in a very rudimentary stage in terms of its development into a system. Child care delivery has evolved over the years in a piecemeal, ad hoc fashion; it has never been the subject of a concerted effort designed to promote and develop the service into a comprehensive system. Consequently, child care varies widely with respect to availability, affordability and quality, not only from province to province but even from community to community.

In many respects, the service is similar to that of public education and health care in their very early stages of evolution. As a result of many factors - including public demand, concerted lobbying, political will, and a sustained infusion of funds - education and health care developed from fragmented services into universal systems in Canada. Canadian parents can move to almost any place in the country with the assurance that their children will receive quality education and health care - in most cases with no extra charge.

Through its spending power, the federal government has played an instrumental role in promoting and developing such services. The previous section described some mechanisms through which federal funds are transferred to the provinces to assist in the provision of health care, post-secondary education, general public services, and certain social services, all recognized to be under provincial jurisdiction.

Currently, the federal government provides approximately $188 million in financial support to child care through three programs: the Canada Assistance Plan, the child care expense deduction, and subsidies for parents enrolled in CEIC training courses. These programs are each administered separately and apply only to specific groups of parents who meet certain eligibility requirements. None of these mechanisms, either separately or collectively, encourages the development of a comprehensive system of quality child care across the country. Most Canadian families, including those receiving some of these federal funds, still have major concerns regarding the availability and affordability of quality child care.

The federal government has other funding options available which could assist in the development of a comprehensive system of child care in Canada. These options have been used in the past for other programs. This section will explore three options which have been proposed to the federal government in the past year, using the transfer mechanisms - or variations thereof - described in the previous section.

Option # 1: A Conditional Transfer

Under a conditional transfer (or conditional grant), the federal government transfers funds to the provinces based on a pre-determined formula. The grant is made only if the province agrees to meet certain established conditions. This arrangement is currently used for federal financing of health care. Using an agreed-upon formula, the federal

government transfers a "block" of funds to those provinces meeting the conditions of the health care program.

The Canadian Day Care Advocacy Association (CDCAA) proposal incorporates the conditional grant option in its recommendations for immediate action.[16] The CDCAA proposes that the federal government transfer to the provinces and territories a conditional grant equivalent to $5 per day for every licensed or supervised child care space. Under this proposal, the grant would be adjusted annually to the Consumer Price Index, and be subject to specified conditions. The monies would support only non-profit centres, and those independently-operated commercial centres which intend to become non-profit operations over a three-year transition period. (Centres which have declared such an intention may be eligible for funding during the three-year period.) Large chain-operated centres would not be eligible for funding.

The CDCAA points out that this step would address several problems with the current system. The grant would benefit all day care users and thus represent a step towards universal funding. As such, it would diminish the user-fee arrangement which currently characterizes the service. In addition, it would also stabilize the current delivery of day care. The money could be spent on increasing staff salaries, adding additional staff, improving equipment, enhancing the service, or reducing other operating costs. These measures could be taken without having to increase fees. (Currently such improvements are achieved by increasing fees; this in turn makes the service less affordable for many parents.)

As a second component of its proposal, the CDCAA suggests an additional direct grant to each province and territory calculated on the basis of a flat rate per capita ($25 per year) for each child aged 12 and under in that province or territory.[17] This block sum would form the Child Care Resources Fund and would be transferred from the federal government on the condition that the monies be expended on day care and related support services. The appropriate uses for the fund would be determined at the provincial and local levels. The money could be applied, for example, to capital costs to increase the number of spaces; to operating costs to improve affordability of existing spaces; to increase the number of qualified caregivers; or to address the needs of parents at home.

The conditional transfer approach has a number of advantages. The additional funds would strengthen the delivery of child care and assist in the development of a comprehensive system. Sustained reliable funding of a sufficient amount would bolster the stability of the current service and provide a basis upon which a system could be developed and expanded.

Operators could spend less time and energy assuring adequate funding to maintain their services and concentrate instead on other areas more directly related to delivery of care, such as program development and staff training. Funds directed to operating costs would improve affordability of the service and challenge the current user-fee approach, while those directed towards capital costs would begin to address the current problem of availability of quality spaces. Furthermore, the additional funding would improve the current situation, in which enhancements in the service are often achieved by increasing parent fees.

The mechanism does, however, have disadvantages. The grant is not related to actual program costs. Therefore, its effectiveness in reducing fees and in contributing toward the development of a system will vary. The most serious problem, however, is that under this proposal the federal government would be contributing a substantial new amount of funding to child care, while the provinces would not be required to contribute more than their current expenditures. In 1983-84, the federal government contributed 42% of total child care expenses borne by the different levels of government, and in nine of the twelve jurisdictions, the federal share was 50% or more of the total.[18] Therefore, while the federal government may find the conditional grant proposal acceptable in the short term, particularly as a means of demonstrating good will in assisting in the development of a child care system, it is unlikely that a long term commitment would be made. Furthermore, the provinces may initially welcome the additional funds but eventually could express concerns regarding federal intrusion, and interference with expenditure priorities.

Option # 2: Conditional Cost-Sharing

Some of the problems raised by the conditional grant option could be addressed by a conditional cost-sharing arrangement. Under this transfer mechanism, the federal and provincial governments share the costs of specified services which meet certain conditions. Until the introduction of block funding in 1977, certain hospital and medical services were cost-shared on roughly a 50-50 basis. The Canada Assistance Plan currently operates under a cost-sharing arrangement. In both cases, the existence of this type of financing has greatly assisted in the maintenance and expansion of important social services.

The Manitoba government has recently proposed the Canada Day Care and Family Support Services Act as a basis for discussion for new federal legislation.[19] This Act is based substantively on conditional cost-sharing and has been formulated with the intent of developing high quality accessible day care across the country. The goal of the proposed Act is to ensure that within 10 years, child care is available to everyone who needs it.

The proposal is conditional, based on provinces meeting certain criteria. Services must be administered on a non-profit basis (preferably by community-based parent organizations); must meet federally-established standards of quality; must provide for a reasonable level of accessibility; and must provide a limit on the cost to users, with additional costs to be met by direct government grants to agencies. In addition, there must be an established appeals procedure, and no required period of provincial residency.

The cost-shared mechanism proposed provides for a flexible formula, depending on a province's financial situation, using provincial productivity as an indicator. Those provinces meeting the established conditions will be reimbursed by the federal government the greater of:

a) 50% of all provincial or municipal day care or family support service expenditures; <u>or</u>

b) a ratio of GNP per capita, divided by the per capita provincial product, times 50% of provincial or municipal day care or family support services expenditures, not to exceed 90%.

This formula, therefore, includes added sharing for those provinces whose average per capita product is less than the national average per capita product. The flexibility addresses problems currently experienced by some provinces which would like to take advantage of a cost-sharing formula but lack sufficient funds (or resources) to initiate a cost-shareable service or to maintain their 50% share. Such a principle is essential if variations in fiscal capacity are to be addressed.

Under the Manitoba proposal, provinces such as Alberta, Saskatchewan and Ontario would be above the national average and would therefore receive 50% reimbursement from the federal government. Other provinces would receive a greater return; for every dollar spent, Manitoba for example, would be reimbursed 54 cents by the federal government; Québec would receive 59 cents, and New Brunswick, 75 cents.[20] A complete provincial breakdown is shown in Table 1.

There are two additional fiscal aspects to the Manitoba proposal:

Table 1

MANITOBA VARIABLE COST-SHARING PROPOSAL

Province	Ratio of Per Capita GNP to Per Capita GPP a	Gross Expenditures on Day Care & Family Support Services b	Federal Contribution ($) c	Federal Contribution (%)
British Columbia	1.02	17 544 700	8 947 800	51
Alberta	.67	27 653 300	9 280 200	33.6
Saskatchewan	.95	13 797 100	6 553 700	47.5
Manitoba	1.08	20 306 800	10 965 700	54
Ontario	.93	70 009 400	32 554 400	46.5
Québec	1.18	74 845 500	44 158 900	59
New Brunswick	1.50	2 798 000	2 098 500	75
Nova Scotia	1.45	5 389 000	3 907 000	72.5
Prince Edward Island	1.66	609 800	506 100	83
Newfoundland	1.76	2 038 300	1 793 800	88

Notes:

a Calculated by Manitoba officials from "Quarterly Provincial Forecast: Gross Domestic Product for Canada and the Provinces." Conference Board of Canada.

b Information derived by Manitoba officials from telephone interviews with other provincial day care officials. These figures exclude provincial funding to commercial centres.

c This figure is derived by taking 50% of the gross expenditure amount in column 3 and multiplying that amount by the ratio indicator in column 2.

a) a total of $20 per capita in each province, to be used over 10 years for capital costs of day care[21]; and

b) a total of $2 per capita in each province for research and evaluation of day care and family services.

To receive contributions from the federal government, the provinces must, in addition to the previously-stated conditions, supply requested information and give appropriate recognition to federal contributions. With the proclamation of the Act, those sections of the Canada Assistance Plan which permit cost-sharing of day care and family support services would be repealed, and subsumed instead under this new legislation.

The conditional cost-sharing proposal drafted by Manitoba is attractive for several reasons. The proposal would create an infusion of additional funds directed toward day care expenditures. This will have the same results as the conditional grant proposed by the CDCAA: sustained stable funding, improving both affordability and accessibility, and possibly quality of care. In addition, the Manitoba proposal requires the fiscal participation of both levels of government and thus addresses the major drawback of the conditional grant proposal. The Manitoba option includes another feature which is important to the development of a comprehensive system of day care: flexible cost-sharing so that services can be developed adequately in all areas of Canada, regardless of fiscal capacity. Requirements for regular reporting of reasonable information ensures a level of accountability, while the provision to recognize federal contributions addresses the issue of federal visibility. Other provisions of the proposed Act - such as federally-established standards and a limit on user fees - may be considered jurisdictionally contentious or issues of such sensitivity that they might best be dropped as conditions for federal cost-sharing.

The Manitoba proposal deserves serious consideration. One major weakness, however, with the conditional cost-sharing option is the length of time it would take to negotiate; its acceptance may not be complete for many years. In addition, the fact that the federal contribution limit is 90% of actual costs may give serious pause to a federal government concerned with restraint.

Option # 3: Combined Conditional Grant and Cost-Sharing

A third option proposes a combination of both a conditional grant from the federal government to the provinces, and conditional cost-sharing by the two levels of government.[22]

Since the purpose of the initiative is to assist in the development of a child care system across the country, the conditional aspect is essential. Federal financing would be provided on the condition that the provinces provide adequate information to demonstrate that such funds are disbursed to licensed, non-profit child care spaces, preferably in centres which have parent boards or parental representation on advisory committees. Licensed family day home spaces would be eligible for such funding if they are supervised by a provincial, municipal, or approved non-profit agency.

The conditional grant, intended to assist with operating costs, would be calculated on the basis of $3 a day for every licensed, non-profit child care space for a maximum period of five years, commencing January 1, 1986. The purpose of this grant is to provide an initial infusion of funds to stabilize the current service and to assist with the development of a comprehensive child care system, until a more long-term proposal, such as an on-going cost-shared agreement, is implemented. Table 2 shows a cost estimate of the conditional grant.

During the five-year period 1986-1991, the federal and provincial governments shall negotiate agreements to cost-share day care expenditures. This agreement will be based on a formula which provides reimbursement of either 50% or a flexible amount, whichever is greater, of actual expenditures. The cost-sharing arrangement would include, as a basic component, the same conditions as the direct grant.

Table 2

FEDERAL CONTRIBUTIONS TO THE PROVINCES BASED ON $3 PER SPACE[a]

Province	Non-Profit Centre Spaces*b	Family Day Care Spaces	Total Non-Profit and Family Day Care Spaces	Federal ($) Contribution per space	Total ($) Federal Contribution
British Columbia	5 369	2 818	8 187	$780	$6 385 860
Alberta	8 912	3 159	12 071	780	9 415 380
Saskatchewan	2 993	1 404	4 397	780	3 429 660
Manitoba	6 010	1 239	7 249	780	5 654 220
Ontario	26 000	5 889	31 889	780	24 873 420
Québec	19 775	1 182	20 957	780	16 346 460
New Brunswick	1 716	-	1 716	780	1 338 480
Nova Scotia	2 426	68	2 494	780	1 945 320
Prince Edward Island	172	19	191	780	148 980
Newfoundland	186	-	186	780	145 080

a Figures are rough calculations only and are computed on the basis of five days per week times 52 weeks times $3.

b Status of Day Care In Canada, 1983. Health and Welfare Canada, p. 11. Includes those spaces entitled "public" for Alberta and Ontario.

The cost-sharing arrangement would provide a more enriched transfer payment to the provinces than would the direct grant; therefore, it would be in the provinces' best interest fiscally to negotiate such an arrangement with due expediency. The grant, however, would terminate after the five-year period regardless of whether or not a cost-sharing agreement has been negotiated. The rationale behind this measure is to provide a degree of budgetary predictability for the federal government as well as an incentive for provincial participation in cost-sharing, while simultaneously demonstrating federal support and good will towards the development of a child care system in Canada.

The Manitoba proposal could serve as the basis for the cost-sharing agreement under this option. Since it builds in flexibility based on provincial productivity, and thus indicates the province's economic activity for a given period of time compared to that of the country as a whole, the formula appears to provide a suitable measure of a province's ability to finance certain services. This would address variations in provinces' capacity to finance important programs. Although calculations of gross provincial product are currently considered to be experimental data, the indicator could be refined during the negotiation process. In any case, the principle of flexible cost-sharing must be an essential component of any new fiscal arrangement if varying provincial capabilities are to be considered in the development of a nation-wide system.[23]

In addition to the above measures, the capital costs of day care must be addressed if the problem of availability of quality licensed spaces is to be resolved. Therefore, a third component of this option would be the inclusion of a capital cost grant, calculated on the basis of $20 each year over 10 years for every child aged 12 or under in the province or territory.

Using components from both the CDCAA and Manitoba government proposals, this option blends the best features of both. This third proposal is designed to address some of the problems inherent in each both by providing an initial grant for the short term (next five years) and instituting an on-going cost-sharing arrangement for the longer term.

In all three proposals, there is an inherent assumption that the federal government would be willing, as it has been in the past with other important programs, to play an influential role through the use of its spending power.

Conclusion

Part I of this paper briefly outlines some financing methods currently used through which the federal and provincial governments contribute to the funding of programs which are clearly recognized to be under provincial jurisdiction.

Currently both levels of government contribute funding for child care, but the amount is limited (a per-capita expenditure of $154)[24] and acute problems remain with both affordability and availability of licensed care.

Two options have recently been proposed for financing child care: one from the Canadian Day Care Advocacy Association (CDCAA) and one from the Government of Manitoba. Part II of this paper examines each option and analyzes its strengths and its weaknesses. In addition, a third option is described which attempts to blend the best points of each.

Clearly, the lack of affordable, quality licensed child care will be a prominent social policy issue for the next decade and proposals such as these merit serious consideration in the process of finding a solution to a very pressing problem.

FOOTNOTES

1 Parliamentary Task Force on Federal-Provincial Fiscal Arrangements, Fiscal Federalism in Canada. Supply and Services Canada, 1981, p. 30.

2 Robin W. Boadway, Intergovernmental Transfers in Canada. Toronto, 1980, p. 2.

3 Parliamentary Task Force, Fiscal Federalism, p. 158.

4 Thomas J. Courchene, "Canada's New Equalization Program: Description and Evaluation," Canadian Public Policy. Vol. IX, Number 14, 1983, p. 458.

5 Not all provinces agree with the use of this five-province standard, which was initiated as a benchmark in 1982.

6 Government of Canada, Federal-Provincial Relations Office, Federal-Provincial Programs and Activities: A Descriptive Inventory. Supply and Services Canada, 1984, p. 114.

7 In 1983-84 and 1984-85, the increases in the post-secondary education component were set at 6% and 5% respectively. In 1985-86, the increase is scheduled to revert back to the GNP escalator. The health component has, and continues to be, escalated by the three- year moving average of the GNP.

8 Under the previous shared-cost arrangements, Québec received a special abatement of 16 personal income tax points. Under EPF, this special abatement became 8.5 personal income tax points. The value of the transfer is the same; it is simply allocated in a different cash/tax proportion, due to Québec's preference to "opt-out" of the formula as it is applied to other provinces.

9 Government of Canada, Federal-Provincial Programs, p. 119.

10 A needs test is one in which the applicant's requirements, as well as income and resources, are taken into account when determining eligibility for benefits. Requirements are offset against income, and assistance is granted to cover any deficit that exists. Budgetary requirements usually include food, shelter, clothing, fuel, utilities, household supplies and personal requirements and are determined on the basis of rate scales or actual costs. Income and assets are subject to stated exemptions; assets in excess of fixed amounts may constitute a disqualification for eligibility.

11 An income test is one in which only the income available to the applicant is taken into account when determining eligibility. This is the most commonly used test for likelihood of need.

12 Karen Hill and Joan Riggs, "Funding of Social Services for Women." Canadian Council on Social Development, December 1982, p. 11.

13 Government of Canada, Federal-Provincial Programs, p. 182.

14 Government of Canada, Status of Women Canada, "Financing of Child Care in Canada." Paper prepared for the Third Annual Federal-Provincial-Territorial Conference of Ministers Responsible for the Status of Women, Niagara-on-the-Lake, Ontario, May 29-30, 1984, p. 2.

15 Boadway, Intergovernmental Transfers, p. 32.

16 Canadian Day Care Advocacy Association, "Beginning to Solve Canada's Day Care Crisis: Short-Term and Long-Term Proposal." Brief submitted to the Commission of Inquiry on the Equality of Employment, November, 1983. Information supplemented by personal interviews.

17 Because this proposal is based on population, rather than on existing services, it is intended to address, in part, existing disparities between provinces.

18 Government of Canada, "Financing of Child Care in Canada", p. 36.

19 "Towards a National Day Care Program: The Canada Day Care and Family Support Services Act." Attachment to a letter from Muriel Smith, Minister of Community Services, Manitoba, to the Honourable Jake Epp, Minister of Health and Welfare Canada, November 6, 1984. Information supplemented by personal interviews.

20 Figures provided by Manitoba government officials.

21 The proposal notes that the idea for the capital cost fund stems from the national Health Resources Fund, which laid the basis for medicare. The Health Resources Fund was established in 1966, and continued until 1980. During this period, the federal government put $500 million into the fund, established to provide financial assistance to the provinces in the "planning, acquisition, construction, renovation and equipping of health training facilities." The federal government met up to 50% of "reasonable costs" of projects which were submitted by the provinces and approved by the federal Minister of Health and Welfare. Qualifying projects included medical schools, teaching hospitals, and schools of dentistry, nursing, and pharmacy. Costs eligible for sharing included all the costs of basic equipment necessary for the operation of the health training facility.

22 The conceptual framework for this proposal evolved after discussions with members of the Task Force on Child Care. A variation of this option is proposed in a paper by Jane Bertrand and Susan Colley, "Discussion Paper Prepared for the National Action Committee on The Status of Women Social Services Committee." January, 1983.

23 Recognition of and compensation for varying provincial fiscal capacity is a basic feature of the equalization formula discussed in Part I. The principle of varying fiscal capacity has also formed part of the basis for differential cost-sharing in General Development Agreements under the Department of Regional Economic Expansion. According to Federal-Provincial Programs and Activities, 1982-1983, "In view of relative provincial fiscal capacities and development needs, regional development priorities described earlier, Cabinet has endorsed the following maximum federal shares of costs for subsidiary agreements: 90%, Newfoundland; 80%, Nova Scotia and New Brunswick; 60%, Quebec, Manitoba, Saskatchewan, Yukon and the Northwest Territories; 50%, Ontario, Alberta, and British Columbia." Thus, it appears that precedents have been set in providing federal funding of different amounts to different provinces based at least in part on their fiscal capacity.

24 Government of Canada, "Financing of Child Care in Canada", p. 36.

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JOB CREATION IN THE CHILD CARE INDUSTRY

A REPORT PREPARED FOR THE TASK FORCE ON CHILD CARE

NANCY TIENHAARA

JANUARY, 1985

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FOREWARD

The purpose of this paper was established in the following terms and conditions provided by the Task Force on Child Care:

> Undertake research on the job creation potential of day care and develop options to demonstrate the direct and indirect job creation effects of the infusion of additional government funding for day care. Options for government financing of child care include:
>
> - direct subsidies to child care providers (such as suggested by the Canadian Day Care Advocacy Association CDCAA);
> - subsidies to parents through the income tax system or otherwise;
> - subsidies limited to licensed forms of care;
> - subsidies limited to low-income families or providing declining support as family income rises.
>
> In the development of the cost estimates of the job creation effects of the various types of government expenditures on child care, the assumptions made regarding the following variables must be articulated:
>
> - impact on the market price;
> - impact on parental choices;
> - impact on wages.

Components of the research:

1. review current literature on job creation and employment development, to determine an appropriate model to estimate the job creation effect of government expenditures on child care;

2. examine federal and provincial legislation and practices on job creation to determine the extent to which they have been used and could be used to create permanent jobs in the day care industry;

3. examine D.R.I.E. legislation, regulations and guidelines for industrial support to determine whether subsidies to firms in the day care industry (such as proposed by the CDCAA) could be accommodated within the parameters of D.R.I.E.

I. A JOB CREATION MODEL FOR THE CHILD CARE INDUSTRY

I.1 JOBS AND JOB CREATION POTENTIAL IN THE CHILD CARE INDUSTRY

I.1.1 CURRENT JOBS

The regulated industry, in terms of total employment levels, is very small in comparison to other industries in Canada.

Employment estimates for the licensed day care sector suggest there are currently 18 200 jobs in day care centres and 3 004 jobs in family day care, together providing a total of 21 204 full- and part-time jobs or 20 475 person-years of employment. [1] This total represents a very small proportion of total employment in the Canadian labour force. In July, 1984, there were 9 910 000 paid workers (seasonally adjusted, full- and part-time) in the Canadian labour force. [2] The 21 204 jobs in the licensed child care industry represent 0.2% of total employed Canadians.

A much larger part of the child care industry exists outside the regulated framework.

In 1984, only 13% of the child care for parents working or studying full time took place in the licensed sector. The balance of care was provided either by the parents themselves, by siblings, or informally in the so-called grey market by neighbours, relatives, local care-givers and other non-licensed service providers.

It is doubtful that most persons providing informal care would be counted in any surveys of employment, for they are unlikely to admit their activities to any official and especially a government survey, when they are frequently evading taxes on the income they derive from that activity.

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1. DPA Group Inc. National Day Care Costing Model. 18
2. Statistics Canada, Labour Force Survey. Cat. 71-001. July, 1984.

In the absence of reliable statistics on the size of the informal or grey market, it is possible to calculate likely totals. Since little is known about the actual number of children in informal care or about child/staff ratios in informal care, it is necessary to base calculations on certain assumptions. The assumptions and the calculations of results are detailed in Appendix 1. From these calculations come the following conclusions about current jobs in the informal market:

84 549 full-time jobs to care for children to age 6

14 688 part-time jobs to care for children age 6 to 12

91 893 person-years of employment

While these specific figures should be treated with caution and not quoted as an accurate statement of actual grey market employment, it is relevant to use these statistics to conclude that the total likely employment in the grey market is 4.5 times the estimated level of employment in the licensed sector.

I.1.2 THE FUTURE: JOB CREATION POTENTIAL

Given the relative size of employment in the licensed child care industry relative to the employed Canadian labour force, it is obvious that any federal government initiative to create new jobs in this industry cannot be justified in terms of the overall economic impact of such job creation. However, it is also obvious that there are over-all economic benefits to any policy that succeeds in moving this underground economy of grey market workers into the licensed market and the legitimate labour force.

The job creation potential of any policy initiative must, nevertheless,

be justified primarily in terms of its impact on the licensed child care industry. Several thousand new jobs would be an insignificant total nationally but would represent a major step forward for this particular industry.

I.2 FEDERAL POLICIES FOR THE CHILD CARE INDUSTRY

I.2.1 CURRENT POLICIES

Currently, direct federal involvement in financing child care is undertaken in two ways:

- assistance to low-income working parents through the Canada Assistance Plan
- deductions for child care expenditures through the income tax system.

The inadequacies of current policies have centred on the following points:

CAP - CAP is essentially a welfare service intended to give support to families who are "in need" or who are "likely to be in need." Only those families with incomes at or below the provincial social assistance levels qualify for any subsidization of their day care costs under CAP.

Income Tax Deduction - The tax deduction for child care provides limited help to parents who pay fees for child care. Up to $2 000 per child (with restrictions on the total number of children) can be deducted, though licensed care, on average, costs up to $3 500 per year. Low-income families lack sufficient income to be able to use such a deduction, and high-income families benefit inordinately from it.

1.2.2 THE FUTURE: POLICY OPTIONS WITH A JOB CREATION POTENTIAL

A number of policy options have been formulated by child care interest groups and, particularly, by advocates of a universal day care system. Such policies are usually grounded in the conviction that a universal, publicly funded, not-for-profit day care system is the appropriate goal for government initiative in the child care industry. [1]

On the other hand, the very high price tag associated with universal day care has prompted other researchers to promote alternative policies. Michael Krashinsky's books have been especially detailed in their analysis of the economic inefficiencies of policy alternatives without user charges.

The alternatives explored in this paper represent a sample selection of relevant policy options which can realistically be costed and compared for their job creation effects.

(a) Government Subsidization of Fees for Licensed Spaces

Direct subsidization of fees for licensed spaces would essentially mean that a certain proportion, or all, of the costs now borne by parents would be paid by the federal government.

Two levels will be chosen for examination:

- subsidization of 100% of the market price for day care per new space
- subsidization of 50% of the market price for day care per new space

(b) Government Payment of an Additional Fee

The Canadian Day Care Advocacy Association, in its brief to the Commission of Enquiry on the Equality of Employment, proposed a per diem

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1. For example, see CDCAA Brief to the Commission of Inquiry on The Equality of Employment.

subsidy of $5 per day to every licensed space in a non-profit day care centre or family day care; the only commercial centres included would be small ones and their eligibility would end after three years. The per diem subsidy would be adjusted annually to reflect changes in the Consumer Price Index. [1]

This subsidy differs from alternative (a) in that it is for payment over and above the current market price charged for day care services. It also differs in its restriction to non-profit care. Since no assumptions are made in this report about the auspices of the jobs created, all new spaces in our model are considered eligible for support.

(c) Government Direct Job Creation

Given that staffing licensed day care centres is a chronic financial problem, a viable alternative for government is to directly underwrite the staff costs necessary to expand the number of licensed care spaces available. Government then pays the current wages and administrative costs of new staff.

(d) Income Tax Provisions: Full Child Care Deduction and Optional Tax Credit

Raising the deduction level to the full cost of child care for all children may make licensed care more affordable to working parents. The additional cost of this component for the additional parents using licensed care may be calculated as the current average marginal rate (17%) of current claimants of this deduction, times the difference in the deduction level allowed.

Since the inequity of the current income tax allowance for child care is considered its major flaw, the addition of a refundable child care tax credit to benefit low- and middle-income working parents is a potential

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1. CDCAA. <u>op.cit.</u>

improvement to current income tax allowances. It is assumed, for this report, that 42.6% of families get a full credit equal to 1/3 of the child care costs incurred, 48.6% get 1/6 of their costs, and the balance get no credit. These figures are chosen on the basis of the most recent and complete income data available for families with working wives and children under age six [1]. The proportions represent the husband's income class; 42.6% earn less than $20 000 and 48.6% earn $20 000 to $40 000. This assumption is consistent, then, with the child tax credit which is calculated on the basis of total family income. Setting this tax credit at fairly high cutoff levels and making it conditional on using licensed care could make this option a good stimulus for parents to move from the unlicensed sector to licensed care.

(e) A Composite Approach

Any combination of the above-mentioned options is possible in efforts to maximize the benefits and minimize the drawbacks of each type of alternative.

To make these vastly differing policy options as directly comparable as possible in terms of their costs and job creation results, it is necessary to eliminate as many potential sources of fluctuation as possible. Therefore, there are two very important assumptions:

- the current policy options (CAP and income tax deductions) are still in place; and
- cost figures exclude current program costs and cover only the costs of the increased portion of the child care system that generates new jobs.

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1. Statistics Canada. Cat. 13-207. Employment and Earnings. 71 Table 25.

I.3 A MODEL FOR ESTIMATING THE JOB CREATION POTENTIAL OF POLICY ALTERNATIVES IN THE CHILD CARE INDUSTRY

I.3.1 THE REQUIREMENTS

From an evaluation of current and potential jobs and policies in the licensed care industry, and from the detailed research provided to the Task Force on Child Care on the child care industry, it is evident that our model must recognize the following facts:

- the licensed industry is a very small one;
- the industry is labour-intensive; it is estimated that 75% of total day care centre and family day care costs are for salaries; [1]
- the licensed care industry is currently operating at, or close to, its capacity and faces bottlenecks to expansion;
- wage levels in the industry are untenably low, and part of the demand for new funding stems from the perceived need for such wage levels to rise to market levels;
- policy options for assisting the industry differ markedly in the mechanisms for their execution and consequently in the time periods over which their potential for job creation would be realized.

I.3.2 MODELS CURRENTLY IN USE

Models are constructed not only in a variety of contexts but also for diverse reasons. There are several types of models currently used by federal government economists to estimate the employment impact of a potential policy alternative. Statistics Canada has several input-output models, including the Open Output Determination Model, the Closed Model, the Price

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1. The DPA Group. op. cit. 13

Model, the Energy Model, and the Interregional Model. Also in use are the Conference Board Model and the Focus Model.

Each of these types of models has valid applications for evaluating the job creation effects of policy changes. However, their usefulness in evaluating job creation potential in an industry like the child care industry is minimized by the following limitations:

- the industries evaluated are large ones;
- the industries evaluated are predominantly capital-intensive, and the analysis is based primarily on material flows, that is, on the movement of goods and services between interconnected industries; (Since 75% of licensed care costs are for salaries, only a quarter of their expenditures are operating ones which potentially result in capital flows with other industries.)
- the models assume excess capacity exists in each of the industries included. Also assumed is that there are no capacity bottlenecks;
- the models assume no change in the structure, including wage levels, of the industries being considered;
- the time frame for analysis is fixed. (For example, input-output forecasts are considered most likely to be accurate during a period of two to five years after a policy change.[1])

Not all of the models available have all of these limitations. However, all of them are instruments of macroanalysis, not microanalysis; a model designed to estimate the net job creation effects of a policy implemented economy-wide is not useful when applied to a small industry sector. Similarly, all of them are static, not dynamic; a model based on taking a single

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1. Bossons. "The Value of Input-Output Models". Boadway et. al. Input-Output Analyses of Fiscal Policy in Ontario. 9.

cross-section of industry is not relevant in policy analysis when changes in that industry's structure are contemplated as part of a policy.

Consequently, it is necessary to develop a model specifically for the child care industry and to use this model in our evaluation of policy alternatives.

I.3.3 A MODEL

(a) The Components

There are three major components of any model dealing with the child care industry:

- the care-givers — source of supply to the industry;
- the working parents — source of demand for the industry; and
- the federal government — source of new funding to the industry.

For convenience, it is best to assume, initially at least, that the system is a closed one and that other components (such as industries providing materials to or receiving benefits from the child care industry) are exogenous. The validity of this assumption will be evident in a later section which examines the nature and extent of flows between the child care system and other sectors of the economy.

(b) Linkages: The Relationships

A useful concept arising from input-output analysis is that of linkages, that is, the flow of goods or services between interconnected industries and the mutual impact on each of policy changes effected on another.

It is possible to adapt this concept to a child care industry model. To analyze the flows between the three components when a policy change is effected at differing locations is important for estimating the timing, extent of impact, and job creation success of alternative policies.

There are four types of linkages which can be examined:

(i) Constraints

- the barriers within each of the components to the successful implementation of a policy initiative;

(ii) Execution Timing

- the time frame over which the first results of the new funding become evident in the creation of new jobs;

(iii) Leakage

- the loss of funds diverted to the unlicensed sector or to other applications rather than being channelled into creating new licensed care jobs;

(iv) Feedback Effects

- the potential changes in each of the components resulting from the policy initiative undertaken and likely to impact on the subsequent job-creating success of the policy.

Ideally, it would be possible to quantify these relationships and to include them as variables that can be manipulated in a computer simulation of the child care industry. However, data on the child care industry is sufficiently fragmented that determining appropriate numeric proxies for each variable is either error-prone or impossible.

Consequently, the types of relationships characterizing the components can be hypothesized, described, and even used to refine our policy options, but cannot, at the present time, be quantified in a model structure that replicates the very complex interactions within the child care industry.

Therefore, extensive descriptions of the four types of linkages as they affect each component of our model follow the execution of our model under four sample scenarios.

NEW SPACES, NEW JOBS, ADDITIONAL GOVERNMENT COSTS

SCENARIO 1: Increase demand served by increments of 10%

MODEL CONTROL INPUTS:					
New demand served 0-2	10%	20%	30%	40%	50%
New demand served 2-12	10%	20%	30%	40%	50%
% wage incr. centres	0%	0%	0%	0%	0%
% wage incr. FDC	0%	0%	0%	0%	0%
% of spaces to FDC	50%	50%	50%	50%	50%
NEW SPACES CREATED:					
Age 0-2	8 722	17 445	26 167	34 890	43 612
Age 2-6	14 275	28 550	42 825	57 100	71 375
Age 6-12	3 995	7 990	11 985	15 981	19 976
Total	26 992	53 985	80 977	107 970	134 962
NEW JOBS CREATED:					
Centres	2 142	4 284	6 426	8 569	10 711
FDC	2 351	4 703	7 054	9 405	11 756
Total	4 493	8 987	13 480	17 974	22 467
GOVERNMENT COSTS: $ million					
100% Subsidy	86	172	258	344	430
50% Subsidy	43	86	129	172	215
CDCAA $5 per diem	35	70	105	140	175
Direct job creation	64	128	192	256	320
Full tax rebate	5	11	16	22	27
Tax credit	19	38	58	77	96

NEW SPACES, NEW JOBS, ADDITIONAL GOVERNMENT COSTS

SCENARIO 2: Assume 20% increase in demand served. Increase wages by increments of 5% at centres, 10% at FDC, and increase market prices in same proportions.

MODEL CONTROL INPUTS:					
New demand served 0-2	20%	20%	20%	20%	20%
New demand served 2-12	20%	20%	20%	20%	20%
% wage incr. centres	5%	10%	15%	20%	25%
% wage incr. FDC	10%	20%	30%	40%	50%
% of spaces to FDC	50%	50%	50%	50%	50%
NEW SPACES CREATED:					
Age 0-2	17 445	17 445	17 445	17 445	17 445
* Age 2-6	28 550	28 550	28 550	28 550	28 550
Age 6-12	7 990	7 990	7 990	7 990	7 990
Total	53 985	53 985	53 985	53 985	53 985
NEW JOBS CREATED:					
Centres	4 284	4 284	4 284	4 284	4 284
FDC	4 703	4 703	4 703	4 703	4 703
Total	8 987	8 987	8 987	8 987	8 987
GOVERNMENT COSTS: $million					
100% Subsidy	185	198	211	224	237
50% Subsidy	92	99	105	112	118
CDCAA $5 per diem	70	70	70	70	70
Direct job creation	136	145	153	162	170
Full tax rebate	13	15	17	20	22
Tax credit	41	44	47	50	53

NEW SPACES, NEW JOBS, ADDITIONAL GOVERNMENT COSTS

SCENARIO 3: Increase demand served for infants by increments of 10% and for other ages by increments of 5%

MODEL CONTROL INPUTS:					
New demand served 0-2	10%	20%	30%	40%	50%
New demand served 2-12	5%	10%	15%	20%	25%
% wage incr. centres	0%	0%	0%	0%	0%
% wage incr. FDC	0%	0%	0%	0%	0%
% of spaces to FDC	50%	50%	50%	50%	50%
NEW SPACES CREATED:					
Age 0-2	8 722	17 445	26 167	34 890	43 612
Age 2-6	7 137	14 275	21 412	28 550	35 687
Age 6-12	1 998	3 995	5 993	7 990	9 988
Total	17 857	35 715	53 572	71 430	89 287
NEW JOBS CREATED:					
Centres	1 597	3 193	4 790	6 386	7 983
FDC	1 556	3 111	4 667	6 222	7 778
Total	3 152	6 304	9 456	12 608	15 760
GOVERNMENT COSTS: $million					
100% Subsidy	58	117	175	233	291
50% Subsidy	29	58	87	117	146
CDCAA $5 per diem	23	46	70	93	116
Direct job creation	46	92	138	184	230
Full tax rebate	4	8	12	15	19
Tax credit	13	26	39	52	65

NEW SPACES, NEW JOBS, ADDITIONAL GOVERNMENT COSTS

SCENARIO 4: Increase demand served as in Scenario 3, wage/price increases as in Scenario 2

MODEL CONTROL INPUTS:					
New demand served 0-2	20%	20%	20%	20%	20%
New demand served 2-12	10%	10%	10%	10%	10%
% wage incr. centres	5%	10%	15%	20%	25%
% wage incr. FDC	10%	20%	305	40%	50%
% of spaces to FDC	50%	50%	50%	50%	50%
NEW SPACES CREATED:					
Age 0-2	17 445	17 445	17 445	17 445	17 445
Age 2-6	14 275	14 275	14 275	14 275	14 275
Age 6-12	3 995	3 995	3 995	3 995	3 995
Total	35 715	35 715	35 715	35 715	35 715
NEW JOBS CREATED:					
Centres	3 193	3 193	3 193	3 193	3 193
FDC	3 111	3 111	3 111	3 111	3 111
Total	6 304	6 304	6 304	6 304	6 304
GOVERNMENT COSTS: $million					
100% Subsidy	125	134	143	152	160
50% Subsidy	63	67	71	76	80
CDCAA $5 per diem	46	46	46	46	46
Direct job creation	98	104	110	116	122
Full tax rebate	9	11	12	14	15
Tax credit	28	30	32	34	36

I.4 CONSTRAINTS

The demand for child care, both licensed and informal, has been well documented as exceeding the supply. Long waiting lists for vacancies in day care centres are indicative of demand in the formal system, and a survey of the informal system in Ontario concluded that "in speaking to both users and providers of informal daycare, it became apparent that demand for the service exceeds supply." [1]

Given an excess of demand over supply, it would appear natural that the child care system would expand of its own accord without requiring the intervention of non-market funding sources. Economic logic suggests that child care jobs would be generated in either the informal or the licensed market, or both, to meet the pent-up demand for such services.

The failure of the licensed sector to expand of its own accord to meet existing demand has been attributed to a cost/price squeeze from the informal, or grey, market. The explanation, distilled to its basics, is as follows:

- The licensed day care system provides more stable and higher-quality day care then the informal market.
- Given their preferences, parents prefer this quality option.
- However, except for very high-income parents who can afford to pay the market price for day care, and for very low-income parents for whom day care is subsidized, working parents cannot afford the prices of the licensed system.
- The informal system is cheaper.
- Therefore, working parents are forced to use the informal system.

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1. The Longwoods Research Group Ltd. Informal Daycare in Ontario: Consultant's Report. 8

The argument for increased funding to the licensed sector then extends this reasoning with the following series of assumptions:

- New funds to licensed day care would allow a stabilization or, preferably, a reduction in user charges.
- Such a reduction in user charges would make the licensed care system more affordable to working parents and would reduce the cost advantage currently held by the unlicensed system.
- Costs being equal, parents prefer licensed day care because it is the quality alternative.
- Therefore, more parents would opt for licensed care.
- Simultaneously, the increased funding to the licensed care system would reduce financial pressures on day care operations.
- Licensed day care would then have the resources to expand to meet the existing and new demand.
- New spaces would thereby open up in the licensed care system as well as new jobs.

The success of any new funding initiative in creating new capacity and new jobs in the licensed system obviously depends on the accuracy of the assumptions which generate the new policy. Consequently, it is necessary to examine these perceived constraints and uncover any additional ones.

Following the outline of our model, let us look individually at the constraints imposed on each component of our model: the supply (care-givers), the demand (working parents), and the funding source (federal government).

I.4.1. SUPPLY CONSTRAINTS

The extent of the current actual supply of day care is well documented in the publication Status of Day Care in Canada, published by Health and Welfare Canada. Based on this data projected to 1984 levels, The DPA Group assessed the current supply of licensed care as follows:

Total...........156 032 licensed spaces

By Age Group:
age 0-2........18 177 " "
age 2-6.......118 010 " "
age 6-12.......19 845 " "

By Location:
in centres....138 777 " "
in FDC.........17 255 " " [1]

Little information is available on the number of centres or family day care homes in Canada or their size. Karyo Communications Inc. compiled data showing a total of 3 200 centres and 3 296 family homes operating on a full-time basis and offering care to children six years of age and under. [2]

There are two options for expanding this system to increase the number of spaces and the number of jobs:

- through the existing supply;
- through a new supply.

The problems and potentials of each option will be explored next.

(a) Constraints to Expansion Through Existing Supply

There are several factors which suggest there are significant problems associated with an effort to increase licensed care capacity at existing licensed facilities.

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1. The DPA Group Inc. op. cit. Exhibit A1
2. Karyo Communications Inc. The Bottom Line. 7

<u>Existing facilities are concentrated geographically. Adding capacity at these locations would tend to further concentrate the geographic availability of licensed care.</u>

Licensed day care facilities are by no means evenly distributed either across Canada or within major cities. For example, consider these statistics on Ontario:

- In 1982, Ontario had 34.0% of the total Canadian population age 0-9, but 37.7% of total Canadian day care places. (By contrast, Quebec had 25.7% of the children and 19.3% of the places.) [1]
- Within Ontario, the North Region had less than 5% of total day care centre enrolment in 1980, but over 11% of the provincial child population age 0-18, while the Central Region had over 40% of total enrolment and less than 34% of the provincial child population. [2]
- Within Toronto, day care centres are not evenly distributed across Metro and consequently "the parent who lives in Scarborough and works in downtown Toronto cannot utilize a vacant day care space in Etobicoke." [3]

Similar results have occurred in surveys of other locations in Canada. A 1980 study on day care and nursery school needs and services in Vancouver concluded:

> A serious regional bias exists in this city where day care and pre-school education are concerned. Vancouver West, with only 31.1% of the pre-school population, has 56.7% of the available places in day care centres and nursery schools. Only 11.5% of East Vancouver's pre-school children have places available in their region, compared to 33.3% of the children in Vancouver West. [4]

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1. Day Care Research Group. <u>The Day Care Kit</u>. 6
2. COMMSOC. <u>Day Care Policy: Background Paper</u>. A-9
3. Social InfoPac Vol. 3 No. 3. 1
4. Hutcheon. <u>Day Care & Nursery School Needs & Services in Vancouver City</u>. 21

Consequently, any policy effort to expand day care centre space must address the problem of the current geographic concentration of day care centres. Increasing the number of spaces in such centres would increase the availability of day care but not necessarily its accessibility, and may therefore not improve the current problems.

The establishment of family day care in private homes under the aegis of licensed centres gives formal day care much more flexibility in the location and programming of child care. Currently, such family day care spaces are by far the minority of all licensed care spaces (11.06% in 1984 [1]), and are limited in their geographic distribution (eg., none in New Brunswick or Newfoundland). Similarly, the availability of such an option seems to be concentrated in certain pockets of provinces (such as in Ontario [2]), and therefore does not currently represent an available alternative to many parents.

The buildings housing existing licensed care facilities are often limited in their abilities for on-site expansion.

Day care centres are often located in existing buildings devoted primarily to other uses and therefore not exclusively available for the day care function. For example, consider the following 1980 statistics on licensed day care facilities in Ontario:

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1. The DPA Group. op. cit. Exhibit A1
2. COMMSOC. op. cit. 29

DAY NURSERY FACILITIES BY BUILDING TYPE
ONTARIO:1980

Building Type	as % of total # of facilities	as % of total licensed capacity	
Church	33.5	31.9	
School	19.9	16.1	
Nursery Building	12.2	17.6	
House	11.0	11.3	
Public building	10.0	9.2	
Apt. complex	6.2	8.4	
Recreation Building	3.3	2.3	
Owner's house	2.3	1.8	
Other/Unknown	1.5	1.4	
Total	100%	100%	[1]

A similar conclusion can be reached by looking at data from a sample survey of Canadian day care centres in 1979:

> Some 37.9% of the centres occupied rented buildings; 25.3% private homes; 16.8% churches; and the remainder, either public schools, society halls, specially constructed buildings, YMCA's, hospitals, on-the-job accomodation, welfare centres, or an assortment of buildings. [2]

There is evidence from the latter-mentioned survey, however, that some expansion of day care spaces is possible within the current physical limitations of facilities; four-fifths of the centres surveyed felt they could care for more children with their existing facilities, but only a quarter thought they could serve more children with their existing staff. [3]

It seems reasonable to assume, therefore, that expansion of licensed spaces at existing day care centres is possible, but that it is likely limited in terms of the scope involved.

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1. COMMSOC. op. cit. A-8
2. Joe. Polemics on Day Care. 44
3. Ibid. 45

The small size of most day care operations suggests potential administrative and resource problems would accompany any effort to expand their operation by adding significantly to the number of licensed spaces.

Although a detailed breakdown is not available nationally, statistics from Ontario suggest that most day care centres are small in size. In Nov. 1980, 69% of Ontario day care facilities had a capacity of up to 44 licensed spaces, and 17% more had 45-59 spaces. [1] The over-all average number of licensed spaces per facility was 37. This average is very close to the national average, for which data is available; the 123 292 licensed spaces spread across 3 200 centres in 1983 gives an average of 38.5 spaces per centre. [2] Consequently, it would appear that the breakdown by centre size for Ontario is representative of the country at large.

The ability of such small centres to handle a significant increase in the number of licensed spaces must be examined; administrative and physical resource concerns may limit over-all expansion.

(b) Constraints Affecting Expansion Through A New Supply

There are two options for the creation of new day care facilities: day care centres and family day care.

The creation of new day care centres entails significant start-up costs and administrative manpower investment — costs beyond the price tags of the policy options under consideration.

Such additional costs can be minimized to the extent that the facility used for a centre is an existing building currently used for other functions (eg., community centres, churches, schools, workplaces). However, there will inevitably be material costs involved in setting up a centre with equipment, furnishings and toys in order to meet provincial government regulations and parental expectations.

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1. COMMSOC. op. cit. A-8
2. Karyo Communications Inc. op. cit. 18

Family home day care would appear to be a less expensive start-up option and therefore an attractive alternative for creating new licensed care facilities quickly.

However, the success in using this option in the past for expanding the availability of licensed care has not always been as successful as anticipated. For example, changes in Ontario's Day Nurseries Act in 1971 had this intention:

> In funding this form of care, the Ministry sought to expand the supply of supervised care generally, at a lower cost than centre-based care. In particular, this program was seen as having the potential to provide more supervised care for infants and a flexible form of care for children of shift and weekend workers, and to increase the availability of supervised care in rural areas where new centres may be inappropriate. [1]

Initially, enrolment grew rapidly, but then tapered off. By 1980, the conclusion was:

> Although this program is generally thought to have the potential to serve large numbers of young children, this has not proved to be the case. [2]

Low utilization rates were attributed to a number of factors, including municipal by-laws, the provider's or the agency's preferences, the size of the provider's home, limitations to the number of infants, and so on.

Nationally, family day care spaces grew rapidly until the late 1970s, when the growth curve began flattening. From 1976 to 1978, there was a 44.6% increase in such spaces as compared to a 19.6 % increase (estimated) from 1982 to 1984. [3]

Consequently, the potential of this option may also be limited.

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1. COMMSOC. op. cit. 9
2. Ibid. 30
3. HWC Status of Day Care in Canada. 5 and The DPA Group. op. cit. Exhibit A-1.

I.4.2 DEMAND FACTORS

The extent of current actual demand for licensed day care is not known.

The publication Status of Day Care in Canada provides data on existing day care spaces matched against a series of numbers relating to parents in the labour force and school. Such ratios suggest that only a small proportion of existing demand is met by the available supply.

The sense of crisis in accommodation is heightened by articles describing waiting lists at day care centres in major urban areas. A recent survey in Metro Toronto found a ratio of 2.7 children wait-listed for every vacancy reported, and also noted instances of children placed on waiting lists before they were born. [1]

There is no doubt that the demand for licensed day care exceeds the supply. But the extent to which the demand exceeds the supply is a point of conjecture. A realistic appraisal of the true extent of demand is necessary in order to evaluate the potential scope of uptake of any new policy alternative.

A realistic estimate of current additional demand for licensed care should be the number of children of working parents currently in informal care. These numbers are based on the 1984 estimates of children age 0-12 of parents working and studying full time, and exclude children in licensed care, children cared for by a member of the nuclear family (based on use estimates from the Statistics Canada Child Care Arrangements Survey), and children of parents working or studying part time.

Age Group	Current Supply	Realistic Total Demand	% of Realistic Demand Currently Served
Age 0-2	18 177	105 401	17.2%
Age 2-6	118 011	260 759	45.3%
Age 6-12	19 845	59 796	33.2%

1. Social InfoPac. Vol. 3 # 3. 1

In order to come to reasonable conclusions about the current and potential future demand for licensed day care, it is necessary to evaluate the factors which affect such demand. Relevant factors to consider can be grouped under the following general headings:

- labour market factors
- parent-income restrictions
- parent preferences.

(a) Labour Market Factors

The increasing participation rates of mothers and the increase in the number of single parents are factors increasing the demand for child care.

By January 1984, the participation rate for mothers with at least one child under three was 50%, while for mothers with a child between three and five , it was 54%, and for mothers whose youngest child was 6-15, it was 62%. [1] The increased incidence of mothers working entails a corresponding rise in the need for child care.

Economic factors behind the decision of mothers in two-parent families to enter the labour force are sufficient themselves to suggest that the trend to increased involvement of mothers in the labour force will continue. During periods of economic boom, women are drawn by "pull" factors: the attraction of financial gain in an expanding labour force that needs additional manpower. During periods of economic recession, women are compelled by "push" factors to enter the labour force to avoid an net deterioration in the family economic position. A recent Statistics Canada report indicated the increasing share of total family income provided by wives from 1971 to 1981:

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1. Task Force on Child Care. "Financing of Child Care in Canada." 1

> During the 1970s, the wife's contributions increasingly sustained the family. Stated another way, the decade was one in which the family's economic vitality depended on the fact that women (wives) could (1) enter the labour force in growing proportions (both full-time and part-time), and thereby (2) increase family income. [1]

Single parents have an economic necessity to work, and the increasing incidence of single-parent families means an increasing demand for child care. In 1976, there was an average of 306 000 lone parents reported in the Labour Force Survey; by 1983, the number of lone parents had risen by 35.6% to an average of 415 000. Among all the single parents in 1983, 38.1% of the females and 23.7% of the males had at least one child under age six. [2]

As long as these trends continue, the requirement for child care outside the home will increase.

On the other hand, changing patterns in job scheduling are increasingly giving parents other alternatives that may reduce the demand for child care outside the home.

A Statistics Canada 1981 survey, Child Care Arrangements, found that 20% of two-earner parents of pre-schoolers and 71% of two-earner parents of school-age children aged 6-14 provided all necessary child care themselves. [3] Recent changes in the job market may increase the extent to which working parents have this option, and consequently lessen demand for child care outside the home.

There is a growing use of flexible time provisions at places of employment. Flex-hours are frequently used by parents to juggle job timetables and allow one parent to be in attendance with the children at all necessary

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1. Statistics Canada. The Labour Force. May 1984. 105
2. ________________. The Labour Force. July 1984. 93
3. quoted in "Financing of Child Care", op. cit. 1

times. Columbia University child care authority Sheila B. Kammerman noted that many parents put great effort into planning and organizing multiple child care arrangements, "sometimes selecting complicated work schedules in order to provide a significant portion of child care themselves." [1]

Part-time employment has also grown rapidly in recent years, and such employment increases the likelihood that two-parent families can coordinate their work timetables to reduce or eliminate the need for external child care.

However, the juggling of job timetables and part-time employment have been cited as the forced choice rather than the desired choice of women, a choice imposed on them because of inadequate child care facilities rather than one made on personal preference. Such logic concludes that an expanded supply of licensed care would enable mothers to work regular full-time hours, and consequently that current employment patterns represent pent-up demand for licensed care, rather than a trend towards reduced need for it.

In fact, however, several research studies suggest that new job patterns are actually being pursued by choice rather than by default. For example, in a Statistics Canada 1981 work history survey, child care difficulties were not cited as a reason for part-time workers wanting to work additional hours but not doing so. [2] Similarly, the reasons given for part-time employment in the July, 1984 Labour Force Survey indicate family responsibilities ranked well behind personal choice factors and labour market factors for married women:

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1. Changing Times. Aug. 1984. 30
2. Labour Canada. Part-time Work in Canada. 70

REASONS FOR PART-TIME EMPLOYMENT BY MARITAL STATUS
July, 1984

Reason for part-time employment	Single Women	Married Women
"did not want full-time work"	27%	53%
"could only find part-time work"	66%	25%
"personal/family responsibilities"	2%	21%
other	5%	1%
	100%	100% [1]

Similarly, in a survey of parent preferences in Vancouver in 1980, a strong interest was expressed by parents in being involved in the care of their preschoolers. [2]

These studies suggest that the lack of availability of child care is not a major cause of part-time or other new employment patterns, and supports the contention that such employment is the preferred choice for many working mothers wanting to keep a major role in their children's care.

Therefore, to the extent that flexible hours, part-time employment, and other innovative work practices (such as job-sharing, cottage industry work and telecommuting) increase, the demand for out-of-home child care will decrease.

(b) Parent Income Restrictions

The inability of middle-income parents to pay for licensed care is believed to limit their access to the formal system and to restrict them to using the less expensive informal market care-givers.

The affordability of licensed child care is considered a major issue by day care advocates. The consensus is that the lower middle-income group, more than any other, is the group unable to bear the costs of formal day care, and yet, has the greatest need for such care. The following description of the

1. Statistics Canada. The Labour Force. July, 1984. 63
2. Hutcheon. op. cit. 23

situation in Ontario's Peel Region in 1977 is typical of opinions expressed across the country today:

> The present system of child care services tends to favour the two ends of the income spectrum and leave the middle poorly served. Lower-income families can be subsidized, if spaces are available, and upper-income families can afford to pay for the service. Middle-income families throughout the Province find themselves subjected to inconsistent "means tests" that bear little relationship to actual amounts of disposable income that could be contributed to child care costs. [1]

Given the narrow spread between prices for child care in the licensed and unlicensed systems, it is difficult to justify this argument. According to a survey on the price of child care in Canada conducted late in 1984 by Rubin Todres Consultants Ltd., the average annual cost of care in unlicensed day homes is 88% to 90% of the cost of licensed center and day home annual costs for infants and preschoolers; the only cost discrepancy of more than 12% is between licensed center and unlicensed home care for infants. [2] A price spread of 10% to 12% does not, in itself, seem likely to provide a deterrent to parents to using the licensed sector rather than the unlicensed sector for economical child care. In fact, given that receipts are routinely provided by licensed care-givers for parents to claim an income tax deduction, and given that such receipts are provided by a minority of unlicensed care-givers, it would appear that the licensed care system is frequently a cheaper alternative for parents than is the unlicensed system.

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1. Fiaz et al. Child Care in Peel. 18
2. Rubin Todres Consultants Ltd. The Cost of Child Care in Canada: A National Survey". 18

It is possible that using national average figures may mask a significant local divergence in licensed/unlicensed care costs, and that a real affordability problem does exist. The affordability issue, then, is one which deserves much more careful analysis before it is assumed that it poses a barrier preventing parents from using the licensed sector. If the cost of day care is roughly similar in the licensed and unlicensed sector, however, it will be necessary to look elsewhere to determine what factors are responsible for the lower use rates of licensed day care by lower-middle-income parents.

(c) Parent Preferences

Actual preferences of parents in child care are inadequately understood.

The common assumption among day care advocates is that parents, if given their preferences, would opt for space in the licensed care system. Public opinion surveys endeavouring to test this assumption have not been sufficiently broadly-based to allow such a conclusion.

The major public opinion survey cited as evidence for this assumption is an extensive 1977 Social Planning Council of Toronto undertaking. In this survey, 64% of parents stated a preference for day care over informal arrangements. Applying this percentage to the estimated number of pre-school children needing care results in a figure then quoted as the need for formal day care spaces in Canada. The most recent such calculation in June, 1984 was for 371 430 formal day care spaces nationally. [1] (This is 2.38 times the actual number of licensed spaces in 1984: 156 032.)

It is important to question this assumption as there is no adequate body of evidence to support it. A sample survey of parents in Metro Toronto

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1. Social InfoPac Vol. 3 # 3.

cannot be used to represent attitudes in the country as a whole. In fact, other similar worthwhile studies conducted across a wider population base have had results quite different from the Metro Toronto study. For example, a consultancy study prepared in June, 1982 on behalf of the Ontario Ministry of Community and Social Services, reported as follows on interviews with users of informal care in several cities and towns across Ontario:

> Both users and caregivers were probed by the moderator to reveal why demand for informal day care is so high. Was it because alternative forms of daycare were unavailable?
>
> The users indicated a strong preference for informal daycare. Given the suggestion that any type of child care was readily available and affordable (and excluding mothers who would have preferred to stay home themselves), the majority stated that informal daycare was the ideal form of care for their children. [1]

Consequently, it is necessary to determine parent preferences in child care, and to see how well such preferences are matched against the characteristics of the existing supply of licensed child care. Without an understanding of the components of demand, new policy initiatives to increase the supply of licensed care may create an expensive surplus of a kind of care not in demand, while not adequately accounting for real needs.

Child care that is locally accessible is of great importance to parents and is likely an important factor in choosing informal care.

In the section on supply factors, it was pointed out that licensed day care is distributed unevenly across the country; day care centres are often physically situated too far from parents for such an option to be realistic. Therefore, it is possible that even an expanded licensed day care system will

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1. The Longwoods Research Group Ltd. op. cit. 8-9

be rejected as an alternative by parents if such day care is not more accessible.

There are several reasons for parent preferences to use child care in their local neighbourhoods. Removing children from their community causes dislocation for them and takes them away from their friends and school-age siblings. Taking children to day care centres means working parents must add travelling time to their already crowded day and may have to spend a tedious period of daily commuting with small children in rush-hour crowds. Such factors have been cited as contributing to the failure of workplace day care to become a significant alternative. [1]

That the location of a care-giver is a very important consideration by parents has been confirmed in two community studies. While not necessarily representative of all parent opinions nationally, these results are at least indicative of likely attitudes.

(1) A Vancouver Council of Women Study undertaken in 1980, to determine what parents actually want and need, reached this conclusion:

> Parents overwhelmingly favour locating child care facilities in their own immediate neighbourhoods. [2]

(2) A 1982 survey of informal day care users in five communities in Ontario included questions as to which characteristics of the present day care setting were most appreciated by the respondents. The most frequently-cited characteristic (31.5%) was closeness/convenience. [3]

Consequently, local accessibility to child care is likely an important reason for current parental use of informal rather than licensed child care.

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1. Joe. op. cit. 41
2. Hutcheon. op. cit. 21.
3. The Longwoods Research Group Ltd. op. cit. Table 14.

Any increase in the supply of licensed care must be such that it makes licensed care much more accessible, and therefore a viable alternative to neighbourhood care-givers.

Parental preferences in the characteristics of care-givers may currently be better met by informal child care workers than by the formal day care system.

The previously-cited consultancy study for the Ontario Ministry of Community and Social Services, in which "users indicated a strong preference for informal daycare", also noted the reasons for parents preferring this alternative to the licensed care structure:

> A school or group-like setting would not meet their children's needs at this point in time. [1]

The perception of the licensed care system as a structured and educational form of child care is fostered by the licensed day care system and day care advocates:

> The general intellectual consensus appears, nonetheless, to be that while in earlier times the objective of day care was either custodial (looking after the kids while the parents for one reason or another were unable to do so themselves) or therapeutic (a service for problem families), in recent years the emphasis has been on a variety of social and development objectives, namely sociological, educational, psychological and physical. [2]

Brochures and newspapers for licensed day care emphasize such objectives.

By contrast, informal care workers advertising the availability of their services emphasize quite different characteristics. The words "caring" or "loving" and "experienced mother" recur constantly in their ads.

As a result, it seems likely that there is a substantial difference in

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1. The Longwoods Research Group. op. cit. 9
2. Joe. op. cit. 13

the interpretation of quality child care between the licensed system and the informal system. To day care advocates, quality is a function of training and professionalism, and is reflected in the high proportion of day care staff with E.C.E. training. To parents, quality is a matter of providing personal attention in a more unstructured, traditional family and home environment.

The gulf between demand and supply interpretations of desirable or quality care-giver qualifications can best be demonstrated by the following examples:

Licensed care - A resolution passed by a 75% plurality at the Second Canadian Conference on Day Care in 1983 stated that child care training should be required for all child care personnel in Canada; a lesser majority approved a resolution for mandatory post-secondary training for all day care personnel.[1]

Parents - The Vancouver Council of Women survey on day care and nursery school needs in Vancouver City asked respondents the question "If you were choosing a person to guide the development of your child, what would you look for?"

> For our respondents the most important attributes (in order of priority) are: (1) a love of children and concern for their welfare; (2) an understanding of how children learn and develop; and (3) experience in working with groups of children. Judged least necessary are: (8) classes in the social sciences; and (7) a university degree in Early Childhood Education. [2]

Consequently, an expanded day care sector, if it remains oriented to a kind of service not in demand by current users of informal day care, may not be successful in attracting these users to the licensed system.

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1. CCSD. The 2nd Canadian Conference on Day Care. 11
2. Hutcheon. op. cit. 16

Parent program needs require a flexibility that may not be currently met in licensed care facilities.

Parents require different programs for their children at different ages — intense full-time care as infants, less intense but still full-time care as pre-schoolers, and part-time care during elementary school years. Such fluctuating demands may mean that the programs provided by day care centres are frequently out of synchronization with real demand.

For example, there are statistics on the situation in Ontario. In 1980, all four regions in Ontario had more full-time capacity than enrolment and higher part-time enrolment than capacity. [1] Complicating this uneven program distribution is the propensity of different kinds of centres to specialize in different kinds of programs; municipalities emphasize full-day programs, charitable corporations more part-time programs [2] and commercial centres provide nearly two-thirds of licensed group care for infants (1982 data). [3] Therefore, a parent requiring a certain kind of program may have to search for it, even within the licensed care sector.

Flexibility in child care services covers a range of requirements. It means providing services appropriate to the life cycle of the child — infant care, pre-school care and school-age care. It means adaptability to the job needs of parents — full-time, part-time, shift, day-time, night-time, weekday, weekend, etc. It means accommodating the varying program interests of parents — for adult attention vs. group play with peers, for structured vs. unstructured activities, etc. For some parents currently using the informal care system, even the characteristics of the care-giver or the care setting may be crucial to their choice of option:

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1. COMMSOC. op. cit. 27
2. Ibid. 25
3. Ibid. 31

> Some users sought a care-giver considerably older than themselves, a "grandmother-like" person to care for their children. Others wanted a person very much like themselves. Some preferred a house or townhouse; others were happy with an apartment. [1]

In short, the licensed care system must be very flexible and able to adapt to wide variations in parental requirements if it is to attract parents currently using the informal system.

Stability is an important factor to most parents, and one which favours the licensed system.

High turnover among caregivers is generally conceded to be a significant problem associated with the informal care market. Parents want a stable environment for their children, and are concerned with the frequent need to find a new care-giver, too often the hallmark of the informal system. A constantly changing and unstable care environment can be distressful to both parents and children.

The licensed care system has a significant advantage over the informal market in this respect.

CONCLUSIONS:

Family day care may be a licensed care alternative better suited than day care centres to meet the preferences of parents currently using the informal care system; this description of family day care suggests it combines the best of both worlds:

> The home day care has the combined niceties of a family-like household atmosphere within

1. The Longwoods Research Group. op. cit. 9

> a day-care structure, all carefully supervised by childcare professionals. It is more than just a babysitting arrangement. [1]

Indeed, a recent case study on family home day care in Orillia, Ontario noted that parents expressed satisfaction with that arrangement because of its stability, convenience and flexibility. [2]

Therefore, expansion of the licensed sector may be more successful in attracting parents from the unlicensed sector if the sector expanded is family day care.

I.4.3 FUNDING

There are three potential constraints on any new federal initiatives in funding licensed child care: jurisdiction, delivery structures and fiscal restraints.

(a) Federal/Provincial Jurisdiction Constraints

Over the past century, the licensed child care system has evolved in response to several different objectives for such a system. The Canada Assistance Plan may be said to be primarily oriented to the welfare objective in which the system is intended to help children of low-income families. By contrast, the child care income tax deduction may be said to be primarily oriented to the manpower objective in which the child care system is seen as a service to working parents. Other objectives which have been described for the child care system are health objectives (a service for handicapped children) and educational objectives (a service to enhance the development of very young children).

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1. Toronto Parent. Nov./Dec. 1984 6
2. Clarke. Supervised Private Home Day Care: One Option For Child Care in Canada. 9.

Philosophically at least, the manpower objective is the one most completely the responsibility of the federal government in the jurisdictional division of powers. Consequently, a new policy initiative undertaken through a manpower program is least likely to create jurisdictional entanglements.

In fact, the history of federal government assistance to the child care industry can be shown to parallel women's involvement in the labour force. For example:

> It wasn't until World War II, when it became praiseworthy for a mother to accept employment outside her home, that the concept of day care as a service for a broad cross-section of working parents emerged. The war was also the impetus for government involvement in day care. [1]

The following excerpt from an OECD study demonstrates that this government role is not confined to Canada, but that in other countries, government involvement in day care has been associated with labour force requirements:

> ...in Finland and Sweden, two countries considered among the leaders in publicly financed child care systems, programmes to improve the quality of day care for children and to increase the number of places advanced slowly during the 1950s and early 1960s. One of the causes for the lack of substantial progress was that, for reasons of manpower policy, it was not necessary to make it easier for women to work. It was partly the labour shortage of the 1960s and partly pressure from organised women's groups which revised government policy and, somewhat tardily, has resulted in a redoubled effort to expand existing facilities and build new ones. [2]

To the extent that current demand for improved day care options comes from working parents, then, a manpower policy is again the appropriate choice.

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1. Wright. "Day Care" News Backgrounder. 2
2. Darling. <u>The Role of Women in the Economy</u>. 81, 83.

Of the policy options outlined, the direct job creation and income tax deduction provisions are most obviously policies with a manpower objective. They are therefore least likely to create jurisdictional problems.

By contrast, there are potential jurisdictional difficulties with subsidies to day care centres, since the latter are licensed, regulated and partially funded by the provinces.

(b) Delivery Structures

Delivery structures are already in place for executing any policy that is effected through the income tax system. Similarly, mechanisms have been developed at the federal level for administration of direct job creation programs.

A new policy initiative could be effected through changes to the Canada Assistance Plan; in fact, one reform proposal suggests that if the interpretation of "likely to be in need" were broadened to include all children, the way would be paved for major funding changes. [1] However, the history of negotiations during the past 15 years over the funding and content of the Canada Assistance Plan are evidence of the difficulties involved in using CAP as a vehicle for new initiatives. [2]

(c) Fiscal Restraints

There are limits to the extent of funding that the federal government will make available for child care. Such constraints are generally cited as the major objection to a universal, not-for-profit day care system.

In general terms, the more cost-effective the policy option, the better the opportunity for its acceptance.

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1. The Day Care Research Group. op. cit. 34
2. eg. see Hum. Federalism and the Poor.

I.5 EXECUTION TIMING

Suggested policy alternatives vary considerably in the mechanisms and timing of their implementation.

The path from initial implementation to actual creation of new jobs in the child care industry varies significantly from one alternative to another. The longer the path, the greater the time lapse before job creation occurs.

It is easiest to compare the execution timings of the policy alternatives according to the location in the model where the initial effects of the policy are first found.

I.5.1. SUPPLY

Supply policies would act more quickly than demand policies in creating new jobs. The job creation that would take place is in the licensed sector, so that channelling funds directly to this sector would have a more immediate impact than funds channelled first to working parents (the demand side).

Three of the policy alternatives under consideration are supply policies: direct subsidies to the licensed sector, CDCAA per diem subsidy, and direct job creation. Examining these three options makes it possible to add further refinements on the execution timing, even within the supply side options.

Direct Job Creation

To the extent that job creation is the intended result of a policy, new jobs will result more quickly than when job creation is indirect and occurs as a spin-off from a fiscal policy change. Direct job creation would have the quickest results.

Funds ——> new jobs in licensed sector

CDCAA Per Diem Subsidy

Next, in terms of execution timing, would be the CDCAA proposal if the per diem subsidy were targeted, in the enabling legislation, as being for the creation of new jobs. Job creation would then occur in the short term.

Funds ——> licensed sector ——> new jobs

Subsidies

Subsidies to replace all or part of current parent fees would be the slowest of the supply policy alternatives. Such a policy would not of itself generate new jobs initially because it would replace the current source of operating funds for licensed care, rather than supplement existing funds with new ones for new staff. Job creation would likely occur more slowly over a longer time frame and would depend on annual government decisions on the increased number of spaces it will support over the coming year.

1.5.2 DEMAND

Demand policies are also longer-term as far as the job creation effects are concerned. Parents must be enticed to change their current supply of child care to the licensed sector and are unlikely to do so quickly; there would be a significant lapse in time from the announcement of the policy change to the actual parental receipt of a tax refund or credit at the end of the fiscal year. Since funds must travel through parents before reaching the licensed sector where the job creation takes place, the likelihood is that the results of a demand policy are long-term rather than short-term.

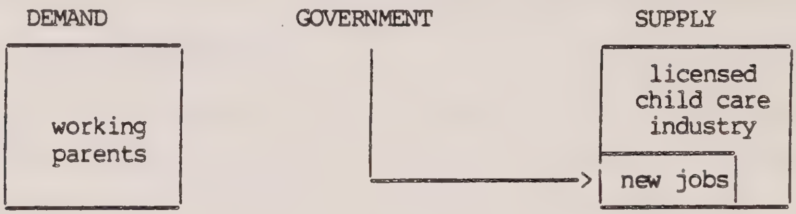
Funds ——> working parents ——> licensed sector ——> new jobs

A demand policy undertaken alone could fail to produce jobs even in the long run if there is no increase first in the supply of licensed care. Given

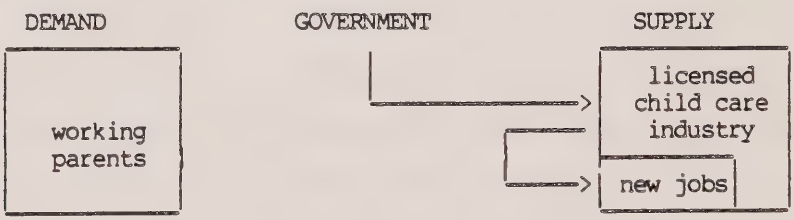
that the demand for licensed care already exceeds the supply, measures to further increase demand without first increasing the supply are not likely to succeed in increasing uptake.

A simplified pictorial summary is useful to depict the flow of funds channelled through the different routes.

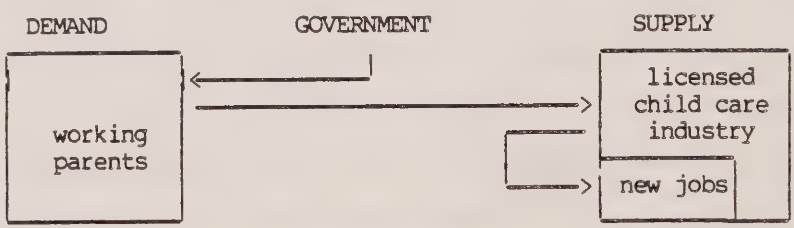
1. Direct job creation



2. Indirect job creation - supply side policy



3. Indirect job creation - demand side policy



I.6 LEAKAGE

In our model, it is necessary to be aware of potential sources of leakage — funding diverted to other applications rather than being channelled into creating new jobs in licensed child care, and funding that remains unused because of lack of uptake of the funding option.

Leakage is possible within each component of our model.

I.6.1. SUPPLY

Increased funding to the licensed care industry, unless it is targeted specifically to new job creation, can be used in a number of ways:

- to expand the services or resources offered, such as by adding a hot lunch, new playground equipment, etc.;
- to absorb the rising cost of service without passing on these additional expenses to parents;
- to raise wages for existing staff.

Expanding the number of licensed spaces and adding new staff to deal with such expansion would undoubtedly be an important alternative in the allocation of new funds; however, it would not necessarily be the top priority or the only priority.

Such leakage would obviously be negligible in a direct job creation plan; jobs would be the direct and only result of such a policy. The CDCAA per diem subsidy, if it included provisions specifying its application only to salaries for new staff, could also have a low rate of leakage.

However, subsidies of current child care spaces, since they replace the source of operating funds rather than add new funds, would have a high rate of

leakage. Subsidies would be spent on current expenditures rather than creating new expenditures in the form of salaries for additional staff members. Job-creating would be accomplished only by raising subsidy levels above current operating cost levels and specifying that such additional monies are for expansion and staff increases only.

1.6.2. DEMAND

Policies channelling funds to the demand component of the model — working parents — are likely to suffer from the highest rate of leakage. Unless policy options are designed to circumvent likely problems, there is good potential for substantial leakage in terms of non-usage of available funds or usage of funds in the unlicensed sector.

Potential uptake of an increased child care deduction level is debatable.

The actual recovery of expenses through a tax deduction is a function of a claimant's tax bracket and, in the past, has not allowed deductions equivalent to total expenses. Even if total expenses could be deducted, an income tax measure would not result in the claimant recouping the full cost unless the family were at an income level to allow a full tax credit.

On the positive side is the fact that, in spite of the lack of full deductability in the past, there has been a significant increase in the use of the child care deduction provision since its introduction in 1972.

GROWTH IN # OF CLAIMANTS FOR CHILD CARE EXPENSES

Tax Year	# Claiming	Total Payments for Child Care (000's)	Allowable Deductions (000's)
1972	142 454	$ 69 997	$ 63 345
1975	220 127	$136 428	$115 504
1978	284 927	$273 564	$249 627
1981	430 013	$430 013	$420 204 [1]

Increasing the deduction level may therefore accelerate the uptake of such a provision.

On the negative side, however, is the fact that parents are already deducting a high proportion of the actual costs they incurred for child care. (Compare columns three and four in the above table.) This means that an increase in the deduction level would not affect the income tax returns of current users of this option. Taxation data for 1982, the first year in which the deduction level was raised from $1 000 to $2 000 per child, is not yet available. If 1982 data shows an increased uptake of the higher-level deduction, it will provide stronger support for such a policy mechanism.

<u>There are several barriers to increased use by working parents of an income tax-based exemption/credit policy.</u>

(a) Responsiveness

Working parents have quite variable costs in child care — costs that change dramatically from year to year as the child first requires expensive infant care, then less expensive toddler care, and then less expensive part-time care outside school hours. Parents who are out-of-pocket for child care costs until they are reimbursed at the end of the tax year may find the

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1. from COMMSOC. <u>op. cit.</u> Table 27 and 1983 <u>Taxation Statistics</u> for 1981

potential benefits of the program outweighed by the disadvantages of its lack of timely responsiveness to their actual needs.

(b) Intrusiveness

Income tax forms are sufficiently complex that they may deter potential recipients of a tax refund or a tax credit from completing the necessary paperwork.

Uptake of the new funding may benefit inordinately those parents currently benefiting most from existing child care policies.

Although provisions of the income tax system are uniformly applied across Canada, certain regions and income groups may benefit inordinately. To the extent that new uptake is concentrated among parents with the same characteristics, a new policy initiative will not succeed in reaching its full potential.

(i) Regions

More than $1 billion was deducted from taxable income for child care expenses over the seven taxation years from 1972 through 1978, with Ontario taxpayers receiving 43.5% of all the deductions allowed. [1]

(ii) Income Groups

In theory, the regressivity of the child care deduction is easy to demonstrate. A recent comparison of child support payments by Chris Burke in the Globe & Mail showed that a 2-earner family with a total income of $25 000 per year currently gets $100 from the deduction while a $50 000 per year family gets $400 and a $100 000 family gets $800. [2]

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1. COMMSOC. op. cit. Appendix C-1
2 Globe & Mail. Jan. 3, 1985. B2

In practice, the distortion of benefits by family income level is difficult to determine, as it is the spouse with the lower net income who must claim the deduction. Taxation statistics by income class for all returns claiming a child care deduction in 1981 show that 76.7% of such returns were in an income class under \$20 000 while only 1.6% of such returns were in an income class over \$40 000. [1]

However, an increase in the deduction level can easily be seen to offer the greatest potential benefit to the rich.

Parents may direct their increased child care funds to the unlicensed sector.

Unless an incentive for licensed care is built into the policy, there is a good possibility that parents will continue to use the unlicensed sector, even if they have to pay their current informal care-giver more in order to get receipts.

1.6.3. GOVERNMENT

In considering alternative options, governments try to eliminate leakage by examining policy alternatives according to several criteria of efficiency. "Efficiency" refers to obtaining maximum results at minimum expense by eliminating leakage.

Several types of efficiencies can be considered.

Vertical Efficiency - the extent to which the benefits of the program stay within the target group without spilling over into non-target groups.

Based on this criterion, policy options can be ranked according to the directness with which they are likely to create new jobs.

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1. calculated from Table 15, Taxation Statistics for 1981.

Horizontal efficiency - the degree to which the program helps all persons within the target group and helps them sufficiently.

Based on this criterion, all of the policy alternatives present difficulties. Supply-side policies are directed at a sector that is geographically very unevenly distributed and therefore, initially at least, will not benefit working parents currently lacking accessibility to such care. Demand-side policies may also inordinately benefit upper-income groups and certain regions.

Allocative efficiency - the extent to which resources are potentially duplicated, improperly allocated, etc.

Michael Krashinsky, an economist who has extensively analyzed child care in Ontario, provides a general economic argument against supply subsidies on the basis of allocative efficiency -- the extent to which the support of licensed care distorts market principles. Assume, for purposes of this argument, that there is no difference in the quality of care being offered to a parent choosing among three child care options; a relative nearby, a babysitter in the neighbourhood and a licensed day care center further away. A free market choice among the three options would likely make proximity (and therefore a relative) the optimum choice. However, if financial assistance is possible only by using the licensed day care centre, a more expensive and more inconvenient form of care is the optimum choice. [1]

There is an argument to be made for the allocative inefficiency of any income tax-based subsidy to parents, and this argument generally relates to over-all inequities in the tax system. The income tax system judges income only, not wealth (home ownership, savings etc.). Consequently, persons with substantial capital may be entitled to payments whereas wage earners with little personal wealth may be denied payments. [2]

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1. Krashinsky. Day Care and Public Policy in Ontario. 131
2. Mendelson. Universal or Selective? 48

Administrative Efficiency - the administrative costs

Funding through an existing delivery structure (such as the income tax system) is undoubtedly more efficient in terms of administrative costs than a subsidy program that may require a separate bureaucracy to review applications or to channel funds through provincial and municipal delivery structures.

It is difficult to establish such cost differentials. However, a useful benchmark for comparison is the review by M. Mendelson of six programs as a cross-section of the ways in which eligibility for income security benefits can be established. The demogrants (a "demogrant" is a program like family allowances that pays the same amount to everyone in a broadly-defined demographic group) had the lowest cost per case at 0.75%; UIC and Workmen's Compensation, which rely on standardized reviews of past earnings of applicants, had a cost of 6-10%; and provincial and municipal allowances, reflecting the more extensive requirements of needs tests, had costs of 9-13%. [1] (These numbers also reflect the different total volume case load in each program.)

I.7 FEEDBACK EFFECTS

Each of the components in our model will feel the impact of a policy initiative directed at a different component. The response of the component getting the secondary impact may be critical to the continuing success of the policy initiative.

For example, a supply-side policy depends on the readiness of working parents (demand side) to change from using unlicensed care to using licensed

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1. Mendelson. The Administrative Cost of Income Security Programs.

care if it is to have long-term benefits. Similarly, a demand-side policy depends on the readiness of licensed care (supply side) to expand to meet the increased demand.

Optimally, either kind of policy would set off a chain reaction of stimulus/response which would allow the licensed care industry to expand, and working parents to meet their child care needs.

Constraints within each component will affect the success of such feedback chain reactions. However, there are other considerations for each component in our model.

I.7 1. SUPPLY

The feedback chain of events for supply policies may not occur in actual practice.

The feedback effects claimed for at least one supply policy proposal are considered an important justification for its implementation. The CDCAA allocation of $5 per day has been construed as a catalyst to allow centres to increase staff (among other potential uses), thus making more spaces available, leading to increased infusion of user fees, adding funds to expand staff, and so on.

While the simplicity and economy of such a proposal makes it attractive, its mathematics makes this "catalyst" argument suspect. Consider an average centre with 38.5 spaces paying the current average salary, plus 1/3 for overhead or $20 167:

CDCAA subsidy per year = 38.5 spaces X $5 per day X 5 days per week X 52 weeks per year
= $50 050

Additional staff that can be hired = 2.5
1 full-time for infants age 0-2
1 full time for age 2-6
1 half-time for age 6-12

Additional spaces possible (based on child/staff ratios)
4 infants
8 preschoolers age 2-6
12 part-time school-age children age 6-12

New fees = 4 x \$4 130 = \$16 520
+ 8 X \$3 470 = \$27 760
+ 12 X \$1 758 = \$21 096
= total of.......\$65 376

The additional income of \$65 376 could be used to add another three staff, increase spaces accordingly, and so on.

The likelihood of the snowball effect occuring must be questioned for several reasons. One problem is the constraints on the physical growth of centres as described earlier: adding 24 new spaces to a centre with 38.5 spaces may be difficult or impossible at that site. The major question is, however, why a day care centre cannot expand of its own accord, given the kinds of staff costs and user fees involved. Using the calculations given above, we can see that 2.5 staff members cost a centre \$50 050 in salary and overheads, but that the fees brought in by the children such staff can handle are far higher: \$65 376. Even under current circumstances without additional funding such as the CDCAA subsidy, a day care centre would theoretically benefit by over \$15 000 in income by hiring 2.5 staff and adding 12 full-time and 12 part-time spaces.

The fact that this theoretical feedback effect does not occur in reality suggests that the potential for expansion through a feedback mechanism is quite dubious.

Incorporating unlicensed care-givers into the licensed sector may have long-term negative effects.

Efforts to expand the licensed sector may involve absorbing current workers in the unlicensed sector, especially in a large expansion of family day care. Incorporation of these informal care-givers into the licensed structure may create difficulties for the day care industry.

Informal care-givers have quite different characteristics, especially in terms of education, from licensed day care workers. The potential therefore exists for a dilution of day care standards, or a conflict among day care workers on the issue of professional qualifications.

Expansion of family home day care may be more expensive and less successful than projected.

There are two potential long-term advantages resulting from an expansion of family day care:

Costs: FDC may be a more costly alternative than centre day care when supervision and care-giver remuneration reach levels adequate to maintain the quality standards set by centre care. As FDC expands, therefore, costs may accelerate more quickly than projected.

Benefits: FDC, as discussed earlier, has the potential for combining the advantages of centre care (more stability, more consistency, etc.) with the advantages of informal care (more personal, more flexible, etc.). In the past, however, FDC has not lived up to this potential. [1] Failure of this sector to meet its potential would dilute the arguments of the day care

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1. For example, see Johnson. The Kin Trade. Chapter 2.

sector and make it more difficult in the long run to attract working parents to use the licensed sector.

I.7.2. DEMAND

In the long run, demand may increase beyond projections if women not currently in the labour force are drawn in because of the improved child care alternatives.

All of the demand projections included in this report are based on current, actual labour force figures; not included are any projections based on future labour force growth. Female participation rates are expected to increase over the next decade, but fertility rates are falling, and increasing job flexibility has been cited as a factor potentially reducing demand. Consequently, future demand levels have been assumed as relatively constant.

It is possible, however, that women currently not in the labour force would prefer to work but consider the lack of child care options a major hurdle. This "discouraged mother hypothesis" is modelled on the "discouraged worker hypothesis" which refers to the tendency of an unknown number of unemployed workers to stop searching for work because of their conviction that no jobs are available, and who therefore are listed in official surveys as not being in the labour force. Direct job creation programs oriented toward the unemployed have often found the program has drawn in a number of participants from the not-in-the-labour-force discouraged worker group. As a parallel, then, it is possible that improved licensed care options could draw "discouraged mothers" into the labour force and create a larger demand than expected.

The likelihood of such an event cannot be determined with accuracy. However, the following review of the little available evidence suggests the

likelihood is low:

> Research on the extent to which the availability of formal day nursery services affect the participation of women in the labour force has been very limited.. The research that has been undertaken has frequently been of a hypothetical nature, in effect asking, "Would you enter the labour force <u>if</u>". Consequently, it has been criticized as not necessarily indicative of the decisions that women actually make. With the exception of a 1973 Canadian study, the research suggests that the supply of formal day nursery services has relatively little effect on whether women will choose to enter the labour force. Access to subsidized care, regardless of the form of care, has been shown, however, to have a positive effect on labour force entry of women whose likely employment earnings were comparatively low. [1]

I.7.3. GOVERNMENT

<u>Expanding the number of spaces and jobs in the licensed care industry entails capital investments for enlarging or adding facilities.</u>

Capital costs for expansion are currently borne largely by other levels of government or by private arrangements. Underwriting additional expansion costs is likely to be construed as a federal responsibility if a federal policy is undertaken to expand the industry. Such costs will greatly increase the price tag of any policy initiative, but at the same time are critical to the success of that initiative.

<u>Open-ended formulas for funding can accelerate the total annual cost to government each successive year without government control.</u>

In general, there are two ways to fund a policy: by assigning an certain amount to be spent and dividing it up equitably among designated applicants, or by allocating a given amount to all applicants based on certain

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1. COMMSOC. <u>op. cit.</u> 53

criteria that may be constant or may be subject to change. The former is a closed funding formula, since it cannot exceed a given total without Cabinet approval; the latter is open-ended funding, since it is dependent on the number of applicants and, possibly, variable criteria, and the base for calculating allocations may grow every year.

To the extent that a funding formula is based on the number of spaces in existence in the licensed care industry without specifying a limit, the annual cost to the federal treasury will rise directly in proportion to the success of the policy in creating new spaces.

Consider as an example the CDCAA proposal for a $5 per diem subsidy annually. If the proposal were to succeed in creating new spaces as intended, each year the program cost would rise without federal controls.

First year

# of new spaces created at an average day care centre: 24
# of day care centres in Canada: 3 200
Total # of new spaces created = 76 800

Second year

Additional cost for new spaces not in existence in first year of program:
= 76 800 X $5/day X 5 days/wk. X 52 weeks/year
= $99 840 000

All subsidies based on the number of spaces in existence would be subject to such uncontrolled cost escalation unless limiting factors were built in.

Increased government funding to licensed care may cause the cost of such care to rise, resulting in a higher price tag than projected.

To the extent that formal care-givers are incorporated into the licensed system, the pressures currently felt in the licensed sector to keep costs down because of price competition from the informal sector will decline.

Also, the tendency for costs to be higher in centres receiving greater amounts of public subsidies led one analyst to conclude:

> There is some fear that increasing public involvement and the increasing number of centers will further escalate costs. An examination of the private centres currently selling day care to the municipality shows a tendency for costs to drift upward as the proportion of subsidized children in the centre grows. One explanation of this is that it is easier to induce governments to pay for higher costs than to get consumers to do the same. [1]

I.8 EXOGENOUS FACTORS

It is to be expected that some degree of spin-off benefits from any child care funding initiative can be expected to accrue in general to the economy and, in particular, to certain industries outside our model. Such spin-off benefits are the multiplier effects of a policy.

The essence of a multiplier is that increase in government expenditures causes initial increases in output in disposable incomes which, in turn, induces increases of smaller magnitude, and so on through the interconnections of industries in the economy. [2]

Multiplier effects are best traced in input-output analysis when capital expenditures are the major effect to trace; when labour expenditures predominate spending, multipliers are less quantifiable. For example, an economist compared the multiplier effects of expenditures in different Ontario provincial departments and concluded:

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1. Krashinsky. Day Care and Public Policy in Ontario. 130
2. Boadway. op. cit. 88

> ...expenditures on Education and Health programs generate lower than average multipliers. One likely explanation lies in the high initial wage associated with these programs, leaving a limited income generation potential through industrial purchases. [1]

The conventional calculation of multiplier effects may not apply to the child care industry. However, it is possible to itemize several potential revenue-generating aspects (including material flows) of policy initiatives targetted at job creation in the licensed care industry.

<u>Income taxes paid by employees in the industry.</u>

The average salary in 1984 for a day care centre employee was $15 163; average taxes on that income for a single income earner (calculated as the actual average from 1980 tax revenues) would be $1 815. [2] Twenty thousand full-time employees would pay $36.6 million in income taxes annually.

<u>Operating costs apart from staff costs.</u>

Such costs have been estimated at $116 million for day care centres and $7 million for family day care. [3] Such monies are paid for rent, toys, food, and supplies. Although not large by general industry standards, these expenditures benefit several major industries (food and beverages, wood products, construction, etc.).

<u>Reduction of welfare costs.</u>

As discussed earlier, access to subsidized care has been shown to have a positive effect on the labour force entry

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1. Boadway. <u>op. cit.</u> 80
2. Pipes et al. <u>Tax Facts 3</u>. 25
3. The DPA Group. <u>op. cit.</u> Exhibit 3.

of women whose likely employment earnings were comparatively low. [1] One study published in 1976 concluded that day care is cheaper than welfare in the long run (although some debate surrounds this contention). [2]

Removal of bottlenecks to an expanding economy. Historically, the growth of the child care industry has paralleled the increase in women joining the labour force during periods of economic growth. Therefore, some credit for increasing economic output can be attributed to the child care industry.

New policies for the child care industry can expect to have similar multiplier effects.

Along with the policy initiatives analyzed in this report for the creation of new spaces and new jobs, additional programs will likely be required to expand the premises in which child care facilities are housed. Such expansion will create new jobs in construction and related industries. However, since day care centres primarily occupy multi-purpose premises such as churches, schools, municipal buildings, etc., the construction industry impact is likely to be very small. Also, such construction jobs will result from a capital grants program, rather than from the policy initiatives discussed in this paper, so that such multiplier effects cannot be attributed to the policy options currently under review.

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1. COMMSOC. op. cit. 53
2. see Fraser. The More You Have The More You Get. 37

II. DIRECT JOB CREATION PROGRAMS

II.1 THE ORIGINS AND HISTORY OF DIRECT JOB CREATION

Before the 1960s, government intervention in the labour market was largely confined to industrial relations and labour standards legislation (both mainly provincial) on the one hand, and unemployment insurance on the other; federal presence in the labour market, the National Employment Service, has been termed an "appendage" to the unemployment insurance function.

In the late 1950s and early 1960s, the high level of unemployment generated interest in the use of training programs to reduce structural bottlenecks in the labour market. The shared cost Technical and Vocational Training and Assistance Act and its successor, the Canada Manpower Training Program, were intended to create a labour supply better matched to the demands of a changing job market.

Unemployment rates increased in the late 1960s, and it became obvious that many individuals were being trained for occupations which were in chronic labour market surplus. In response to this,

> The forces shifted from preparing individuals for the perceived demands of the labour market to providing various kinds of employment to fit the characteristics of the unemployed. [1]

The Local Initiatives Program (LIP), essentially a winter works program with the dual objectives of job creation and community betterment, was announced in October 1971. By 1973, a Job Creation Branch was created in the Department of Manpower and Immigration to bring together LIP and two additional programs - Opportunities for Youth (a summer student employment program begun

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1. Smith. "The Development of Employment & Training Programs" in Maslove. How Ottawa Spends 1984: The New Agenda. 168

in 1971 in the Department of the Secretary of State) and the Local Employment Assistance Program, directed towards improving the skills of the hard core unemployed.

Following the Canadian federal government's example, the provinces began their own direct job creation programs. When the local economy deteriorated and the prospect of rapidly growing welfare rolls loomed, the provinces opted for funding short-term job creation projects as a preferred alternative. When the economy was strong, attempts were made to expand job creation into a more extensive social program. [1]

Over the past decade, a considerable number of job creation programs has existed at the federal, provincial and municipal levels. However, although the names have changed and there has been consolidation, restructuring and targeting to different groups, the essential purposes and operation of the job creation programs have remained much the same now as when first conceived.

II.2 THE GOALS OF JOB CREATION

Manpower policy, like any government economic policy, may be directed at the achievement of one or more goals or objectives, namely growth, stabilization and equity. The case made for the role of manpower policy in each of these is as follows:

growth - to reduce bottlenecks in the adjustment
of labour supply and demand in occupational,

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1. For a description of several provincial programs attempted or undertaken, see Decter. Programs to Encourage Employment: The Provinces or Municipalities as Agents.

industrial and regional terms.

stabilization - to operate in a countercyclical and/or counterseasonal fashion to achieve a more acceptable rate of unemployment and price inflation.

equity - to improve income distribution among persons and among regions.

Training, mobility, information, counselling and placement programs are generally considered to be instruments relevant to the goal of growth. Job creation programs have, at various times and in various mixes, been used as instruments for both stabilization and equity goals.

The goal of job creation programs has important ramifications for the child care industry. To the extent that job creation programs are directed to the stabilization goal, projects undertaken will be geared to provide short-term jobs at low wages for a maximum number of previously unemployed participants. To the extent that job creation programs are directed to the equity goal, more long-term jobs with a social service orientation are possible.

Analyses of job creation programs include conflicting opinions as to the appropriate goal for job creation.

Certain analysts advocate a swing towards the equity goal. The (Dodge) Task Force on Labour Market Developments in the 1980s advocated "comprehensive

community-based development programs in areas of chronically high unemployment." [1] Similarly, an OECD study of public sector job creation in 10 member countries concluded:

> that such programs, if they are to play a significant role in dealing with the structural element of unemployment, will need a well-defined longer term role, rather than being conceived primarily for contra-cyclical purposes. [2]

On the other hand, the speed, direct input, targeting capability and flexibility of job creation programs lends strength to arguments that they should predominantly be used to deal with specific seasonal or cyclical unemployment. In fact, job creation programs were initially developed in response to student summer unemployment and also as a replacement for winter works. Also, the start-up of new programs over the years has tended to coincide with seasonal or cyclical unemployment.

Conflicting signals about the predominant goal for job creation programs [3] were addressed by CEIC in 1983 in a consolidation of existing programs into a streamlined format with four major components. The largest single program, Canada Works, itself accounted for over half the total job creation funding ($1.4 billion) allocated for 1983-84; this program is specifically intended to be contra-cyclical and more rigorous than past programs in preventing dependency of projects for follow-up funding. By contrast, the Career Access program is directed more at the goal of supporting human resource development. Ironically, this smaller program with a more

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1. Axworthy. Are We Ready To Change? 31
2. Jenness. Positive Adjustment in Manpower and Social Policies. 57
3. For example, see Ostry. Labour Economics in Canada. 191

conducive orientation to child care goals is apparently little used by the child care community, while the program with a counter-cyclical orientation, Canada Works, is used more extensively in child care.

Whether the current strong orientation of job creation to the goal of stabilization will continue with the new government is not clear. In his economic and fiscal statement delivered in the House of Commons on Nov.8, 1984, the Minister of Finance said:

> Expanding employment and creating new opportunities is at the heart of our program for national economic renewal. We are committed to providing lasting jobs for all Canadians who want to work. The government will therefore be committing an additional $1 billion in 1985-86 primarily to help Canadians to acquire new skills and to find jobs in the private and public sectors.
>
> Our goal is not to do more of the same through temporary make-work programs, but to offer those who are unemployed real opportunities to make a useful contribution to society. This requires a fresh outlook and new approaches that will ensure that employment and training programs are delivered more effectively than in the past. [1]

II.3 THE USE OF JOB CREATION FUNDS IN CHILD CARE

An exhaustive catalogue of job creation projects at the federal, provincial and municipal level and their use in a child care setting would be a very time-consuming undertaking, and the miss rate would be very high.

Firstly, there is an extensive and confusing array of programs, often originating in unlikely locations.

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1. Wilson. Economic and Fiscal Statement. 3

Secondly, there is a high turnover of programs with frequent reorienting, repackaging and/or relabelling, so that any inventory is almost immediately out of date.

Finally, the coding of projects often does not specifically separate child care from other types of projects; determining which projects are relevant is often impossible.

The Canada Employment and Immigration Commission is the major funding source in the job creation field. An examination of the child care-related projects funded in Ottawa under different CEIC programs, from the 1980/81 fiscal year to the present, gives a good indication of the different uses to which job creation funds are being applied in the child care industry.

The four sample programs analyzed provide examples of these different purposes in a job creation program:

1) short-term response to a specific economic downturn - NEED
2) recurrent short-term response to the annual problem of youth on the labour market - Summer Canada
3) longer-term response to develop community needs - CCSD
4) combination of all these - CCDP

II.3.1 NEW EMPLOYMENT EXPANSION DEVELOPMENT PROGRAM (NEED)

Inception:	announced on Oct 28, 1982 for operation from January, 1983 to June, 1984.
Purpose:	to create new jobs for those hardest hit during the economic downturn
Eligible Activities:	Elgible activities for private sector sponsors are limited to preproduction and to activities directed to maintaining, developing and improving productive capacity. The activities may not normally generate revenue directly.
Operation:	a) Federal/Provincial component: Agreements were signed with the Yukon Territories and all provinces in order to establish jointly funded and administered programs reflecting regional economic priorities and strategies. In most regions, the establishment of such priorities was the responsibility of a regional NEED Advisory Board, which had an equal number of federally and provincially designated members; in Quebec, however, difficulties in instituting the joint program led to the cancellation of the agreement on March 25, 1983 and the NEED program was solely funded by the federal government. b) Federal-only component: In addition to the joint program, there was an allocation in each region of federal dollars for funding projects submitted by federal departments and agencies.

Target Group: UI exhaustees, social assistance recipients and "destitute persons".

Funding: Project funding on a proposal-by-proposal basis.

Funds Expended: $500.00 million was allocated to be distributed on a regional basis; an additional $153.35 million was negotiated from provincial and territorial governments; the private sector contributed significantly (over 53% of total project costs as of March 31, 1983), thus providing a significant number of incremental employment opportunities beyond the termination of project funding.

Child Care Projects: In Ontario, three projects can be identified under the NEED program:

- a research program by a native-people organization for material culturally-based for the child care program;
- an emergency private-home child care program for families with special needs; and
- the set-up and administration of a children's resource centre.

Federal contributions to these three projects from inception to completion of the program amounted to $97 922, and resulted in the creation of 14 jobs.

II.3.2 SUMMER CANADA PROGRAM

Inception: Student summer employment programs have existed under various names since the Opportunities for Youth Program began in the early 1970s under the Secretary of State. The most recent job creation program, operating in the summer of 1984, was called Summer Canada Works, but the program each year tends to be the same, whatever the official title. Often there are sidelines to the program, for example, job creation projects sponsored through federal departments and agencies and employment in the public service, but the main component is described below.

Purpose: to provide seasonal employment for students during the summer months by creating jobs in addition to those currently in place

Eligible Activities: Jobs created were to expose students to a realistic working environment and give them a chance to learn and gain relevant on-the-job experience.

Operation: Sponsors were to create jobs for at least three local students for 16 to 18 weeks in productive activities that support community priorities.

Target Group: full-time students who planned to continue their studies in the fall and were legally entitled to work in Canada

Funding: The program paid a contribution towards wages, equal to the provincial minimum wage, and a contribution towards other project costs (up to $35/week in 1982-83) up to a maximum total ($58 000 in 1982-83).

Funds Expended: In 1982-83 $60 689 000 was spent on community projects to create 328 748 weeks of work.

Child Care Projects: Of the 1982-83 total, Summer Canada spending on community projects in Ontario was $18 382,000 to create 103 230 weeks of work. Data for this period from CEIC in Ontario indicate 23 projects related to child/day care, creating 1 293 weeks of work at a cost of $245 851 - or 1.25% of the Ontario total work weeks created or 1.33% of the total expenditure in Ontario.

Over the three summers for which data in Ontario Summer Programs are available, funding is for similar purposes: the provision of child care and recreational services for school children on holiday, for the handicapped and for special needs children. Funding appears to allow summer extensions of school-year programs to accomodate school-age children and to provide relief staff during the main holiday period.

II.3.3 CANADA COMMUNITY SERVICES PROJECTS (CCSP)

Inception:	August 1980 for a three year program.
Purpose:	to support job creation in the voluntary and community social service sector. The program provided seed money to projects, allowing them time to develop other resources and become self-sustaining.
Eligible Activities:	meaningful work that would prepare participants for future jobs while furthuring the objectives of non-profit organizations operating under severe financial constraints
Operation: Projects	Organizations could apply for funding for up to three years. Projects lasting longer than one year were subject to a diminishing funding formula that reduced the level of federal contribution in the second and third years to approximately 66% and 33% respectively, of the first-year level. For the nearly four out of five CCSP projects scheduled to operate longer than a year, the sponsoring agency had either undertaken to cover necessary expenses on a progressive basis within the three-year period and beyond, or the project was the type that could be completed without other funding.
Target Group:	Several target groups were substantially represented: 70% women, 50% youth, 10% native people and 10% people with physical/mental disabilities (in some cases a participant falls into more than one target group).

Funding: Funding covered a contribution to wages, wage related costs, overhead and, where applicable, capital or material costs. $34 million was approved by Cabinet for a three-year program.

Funds Expended: In 1982-83, 672 projects were funded, creating 1 622 jobs at a cost of $10 024 000.

Child Care Projects: In its first year of operation CCSP funding of $721 000 was provided to 31 projects related to child care. This represented 6% of total expenditures under CCSP for the first (and major) funding year of the program. In Ontario, eight projects relating to child and day care can be identified with a total federal contribution of $359 616 from the inception of the program up to Nov. 8, 1984. A maximum of 17 new jobs can be tied to this funding.

Within Ontario, the projects seem reasonably well scattered geographically with two projects in Toronto, two in Kitchener/Waterloo and one each in Brantford, Barrie, Kingston and Kirkland Lake. Projects within Ontario included the following objectives:

- to expand coverage and program content of regional day care services
- to establish a parent-child centre and outreach program to isolated parents of children 0 - 8
- to assist children of battered wives
- to provide day care for low-income parents

- to initiate administrative support systems in a day care centre
- to establish a program and centre for pre-school foster care children considered at risk
- to set up a francophone day care centre
- to set up lunch and after-school programs for working parents

II.3.4 CANADA COMMUNITY DEVELOPMENT PROJECTS (CCDP)

Inception: summer of 1980 with three cycles - 1981-82, 1982-83 and 1983-84

Purpose: to create opportunities in areas of high unemployment through direct job creation. In 1982-83, the program was divided into major areas:

a) The General Stream was temporary in nature with the flexibility to focus in areas, groups or sectors experiencing temporary employment downturns.

b) The Development Stream was a more permanent element to allow the program to mesh more effectively with developmental planning and budgeting cycles of local organizations and other federal and provincial programs with similar objectives.

c) A Special Response Feature reacted to major dislocations resulting from a natural disaster or the unexpected shutdown of a major employer in a small community leading to loss of jobs. The program in this context provided interim alternative employment until more appropriate long-term opportunities were developed.

Eligible Activities: Activities to provide employment in the following specific areas of priority were established through consultation with other federal departments and provincial governments: energy

conservation; aquaculture and fisheries infrastructure; tourism development; community development and restoration; environmental conservation and reclamation; feasibility studies on potential for commercial development of local resources; native employment; non-profit housing and rehabilitation.

Operation:	Varied according to purpose.
Target Group:	"Special Employment Measures" were included from the program's inception to facilitate the employment of women, youth, natives and physically disabled people. In 1982-83 36% of participants were women, 31% were youth, 17% were natives and 5% were disabled.
Funding:	Funds available contributed to labour, overhead and material costs of approved projects. When the program was reoriented in 1982, a total of $246.3 million was made available for projects from the fall of 1982 to March of 1984.
Funds Expended:	$220.8 million (90% of total program contributions) was spent during the 1982-83 fiscal year.
Child Care Projects:	In 1982-83, there were 6 944 jobs created under the CCDP program in Ontario; 100 of these jobs can be traced to an application in a child care project.

In Ontario, there have been 29 projects related to child or day care over the three cycles of the program. Such funding demonstrates the following conclusions:

- only one project was undertaken in Northern Ontario
- half the projects funded were in the Greater Toronto area
- project content included a range of activities
    - support for latchkey children
    - outreach programs on child care to isolated parents, parents of diverse cultures etc.
    - public education programs and research programs
    - starting up, renovating, enhancing programs in providing on-going support to a day care centre
    - creation of model day care facility/drop-in-centres/resource centres
    - child care for emergencies, for children of battered wives, etc.
    - child care in languages other than English (especially French)
- The most frequently-mentioned of these activities was setting up or renovating a day care centre.
- Most jobs were short-term with 38% of the jobs created lasting a full year, 41% lasting six months to a year, and 21% lasting six months or less.

These examples are instructive of the kinds of usage to which job creation funds have been put in child care. The following conclusions are evident:

- a very small proportion of total job creation funds has found its way into projects with a child care application;
- the vast majority of job creation funds expended are for short-term projects. The largest program funding occurs in the short-term job programs (NEED, Summer programs), and even within programs of variable job duration (CCDP), the majority of jobs last much less than a year.

From this analysis of four actual job creation programs, from the literature on job creation, and from discussions with federal and provincial government officials and with child care providers, several factors emerge as disadvantages and advantages of using job creation in a child care setting.

II.4 THE IMPACT OF DIRECT JOB CREATION PROGRAMS ON THE CHILD CARE INDUSTRY

II.4.1 THE DISADVANTAGES

a) Short-term Duration of Jobs.

The majority of job creation programs and the bulk of all job creation funding has been aimed at providing short-term jobs. Such jobs are most frequently intended as a stop-gap measure — in a recession, during summer holidays, etc. Such short-term jobs have benefits; however, they do not resolve the need for long-term, stable employment in child care.

Currently, the major job creation program which is in effect federally and which is used in child care projects is Canada Works. As in predecessors of the same and different names, funding is limited to jobs lasting from 6 to 52 weeks. At the provincial level, the Ontario Career Action Program is perhaps the major program in place; it provides placements in settings that include day care centres and it limits participation to a 16-week maximum.

b) Wage Levels.

Most jobs created in job creation schemes are at, or near, the minimum wage level. Consequently, the goal to raise child care wages could not be met through current job creation funding. Canada Works stipulates that participants be paid at least the minimum wage, but not more than the prevailing local rates for similar work. Total program contribution towards project costs including wages will not exceed on average, per project, $325 per work week with a ceiling of $125 per work week for costs other than wages.

c) Quality of Project Participants

Job creation programs are targeted specifically at hiring those currently out of work, with criteria for acceptance in a program ranging from being unemployed or a social assistance recipient, to being severely employment-disadvantaged. Such priorities are very important in our economy, but because they do not mesh with the priorities of the child care industry to provide quality child care, there are problems that result.

Hiring extra short-term staff through a job creation program is a very common use of such programs by day care centres. But acquiring staff in this way can compromise the quality focus, because eligible participants in a job creation program need have no training or interest in child care. Some projects seem to have attracted dedicated child care advocates willing to work at low pay to advance a cause in which they are vitally interested. But there is also evidence that day care centres have suffered through a parade of disinterested workers who move on to another, perhaps better-paying, income source as soon as they can find it.

One researcher, in his review of federal-provincial job creation programs in 1981, concluded that participants in job creation programs are "marginal workers" who cycle through low wage employment, UIC and welfare, and now job creation programs, but who are unable to move into the primary labour market:

> Job creation projects generally hire participants in the secondary labour market. These individuals alternate between project employment (at or near minimum wage levels); low paid private sector employment; training courses;

> social assistance and Unemployment Insurance. Career ladders or long-term stability of employment are not a frequent factor in the employment histories of these workers. Direct job creation adds one additional element to the secondary labour market. It does not break down barriers to primary labour market jobs. [1]

(This analysis relates to an interesting theory in economics called the dual labour market hypothesis; it is based on a division in the work world between the primary employment market of secure, well-paid, and often unionized jobs, and the secondary market of low-skill, low-paid, high turnover, non-unionized jobs.)

Even in day care centres with excellent recruits through the job creation project, problems occur in conflicts with existing staff. Since project participants rarely have formal accreditation in child care, there is potential for resentment among formally-trained staff performing the same job or earning the same salary. For example, Early Childhood Education students with two or more years of training resent being evaluated during their work terms by workers with no formal training and no long-term commitment to child care.

d) Financial Drain on Child Care Operations

Payments by job creation agencies are generally for completed jobs. Project directors submit invoices at intervals covering expenditures already paid out. Payment of these invoices can then take a number of weeks. As a result, there may be a significant lag between the time a project participant is paid by the sponsoring

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1. Decter. op.cit. 18

child care organization and the time the sponsoring organization is reimbursed by the job creation agency. During this time, the child care organization must make up the shortfall from its own funds or by resorting to short-term financing from a bank (which are not notoriously sympathetic to the plight of child care organizations).

For example, in early November, one Toronto day care centre was still awaiting final payment for a Summer Canada Works project completed in late August. Such a problem is considered fairly commonplace among users of job creation funds.

e) Conflict With Other Programs and Policies

Coordination of priorities and projects among different government levels has been, at best, difficult, and the history of job creation has been marred by conflict over intrusions of one agency into another's "territory".

One major resulting risk is that a project funded under a job creation scheme (federal) may conflict with established programs and policies (provincial). An example of such conflict, cited by Michael Decter in his analysis of federal and provincial job creation programs is

> the funding of day care centres with job creation funds even though other funding had been withheld for policy reasons. [1]

A related risk comes from the dependency created in the initial funding projects. Even short-term projects will develop a dependency for both services (provided by projects) and jobs.

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1. Decter. op. cit. 19

Community groups mobilized and organized by projects become lobbyists on behalf of a continuance of funding. When the job creation funds end, the focus of lobbying shifts to the agency with general responsibilities in that field. Such agencies may have fixed budgets and face cutting existing programs to fund the additional one. Of course, significant resentment is then directed by the agency to the source of the job creation funds which they feel generated the political problem.

Such a problem occurred especially in Quebec under LIP, when a number of day care centres were set up. When LIP funding ended, political pressure was exerted on provincial and municipal governments to pick up the tab for continuing the operation of these centres. As a result, the following comment was made by a federal official to the Standing Committee on National Finance on Canada Manpower in 1976:

> The provinces are asked which projects they feel should be given priority; which projects they would not be prepared to support should they create a continuing demand, largely service projects, often day-care centres, shelters, workshops and the like. [1]

Resolving these problems is not simple. Consultation mechanisms across jurisdictional lines improved considerably but the sheer number of programs, projects and potential conflicts effectively rules out any guarantee of consistency. CEIC programs have also moved even more towards funding only projects that will not create such dependency - i.e. short-term, finite projects (which are the type of project that do not necessarily benefit the child care industry).

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1. Standing Committee on National Finance. Report on Canada Manpower. 104

f) Inadequecies for Training for Permanent Employment in Child Care

Job creation could be a useful mechanism for training potential child-care workers; even if the program providing the training were aimed at short-term cyclical stimulation, the worker hired could theoretically benefit in the long run by gaining experience to aid in the transition to permanent employment.

In fact, there is little evidence of any such transition taking place. There are two major groups of reasons for the ineffectiveness of job creation projects as training vehicles. One group relates to the project setting and the second to the specifications for permanent jobs.

(i) The Project Setting

In a review of job creation programs for the Canada Advisory Council on the Status of Women, Patricia Dale analyzed program data to determine the effect of programs in aiding the transition to permanent employment. She found no evidence to support such a role in the programs she analyzed, and concluded:

> Some aspects of the short-term employment creation programs that hinder their effectiveness as transition vehicles are lack of adequate supervision, scarcity of capital and little formal training and skill improvement components. [1]

(ii) The Permanent Employment Market

The argument in favour of direct job creation as a training ground for permanent jobs assumes there is a potential market

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1. Dale. Women and Jobs: The Impact of Federal Government Employment Strategies on Women. 69

for people with such training. In fact, the training provided in job creation employment does not seem to carry much weight when permanent jobs do exist, and standard qualifications (especially school training) are usually preferred. Patricia Dale's review of the LEAP program includes this conclusion:

> Women have tended to have a higher participation rate in service activities. Many of the service-type projects sponsored by these programs either provided needed services which had hitherto been ignored by the existing agencies, or pioneered innovative ways of delivering services. However even when the traditional agencies followed their lead in the provision of these services, they frequently would not recognize the job experience of the LEAP participants, and preferred to hire professionals in the field instead. This propensity to value professionalism over experience and personal initiative is particularly detrimental to women, who often lack formal credentials. [1]

Job creation participants involved in a child care setting face such a problem. To find permanent employment at a higher wage level than the minimal level of the job creation program, they may be required to complete formal child care education training. Even if their job creation project experience gives them access to a permanent job in child care, their wage levels and future mobility prospects have not increased because of their project experience. Related to this is the antagonism of formally-qualified child care workers towards supervisory personnel without the same training.

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1. Dale. op. cit. 70

II.4.2 THE ADVANTAGES

a) Provision of Holiday Relief Staff

Summer programs for young people have meant that established day care centres and child care programs can take advantage of opportunities for summer replacement personnel while their own staff take normal vacations. It also means that short-term programs can be mounted annually to provide necessary care for school-age children during summer vacations. This avoids overloading existing day care facilities and staff during summer months, and simultaneously provides a child care option in the summer for working parents with school-age children.

b) Provision of Community Services

Many of the programs undertaken are of valid worth to the community but would not have been possible without the funding provided under a job creation program. Also, the services provided may be innovative and stimulate interest from established companies/agencies in the field to follow suit. To the extent that the community services thus provided do not conflict with other agencies and do not lead to dependency for future funding, the result of the project is then a net plus.

II.5 OTHER JOB CREATION ALTERNATIVES

Public sector job creation, as described to this point, has been, by far, the predominant component of direct job creation. However, a smaller component begun experimentally in 1978-79 and later activated in the Career

Access Program is a wage subsidy program. Such a program usually takes the form of payment to employers in the private sector a portion of the wage costs of new employees they would not otherwise have hired.

From the point of view of the needs of the child care industry, the wage subsidy approach does not alter any of the fundamental problems associated with public sector direct job creation. For example, the federal Career Access limits subsidies to a maximum of 52 weeks.

Also, impressions of administrators are that Career Access is being used very little by day care operations; the presence of only two day care centre employees among 700 placements in Windsor is considered a typical ratio in centres across Ontario.

II.6 FUTURE OPTIONS

In the past, direct job creation programs have not been very successful in the creation of permanent jobs in the child care industry.

There have been some day care centers which, after being launched through a direct job creation program, subsequently became self-supporting. However, many day care centres established under a direct job creation program failed to become self-supporting but, rather, became dependent on continued government funding. As a result, CEIC program officials, over time, became wary of supporting any day care initiative with a potential for dependency.

In general, the trend in direct job creation funding over the past decade has been towards short-term contra-cyclical programs with a finite life span. As a result, the majority of current job creation programs do not lend

themselves to use for creating permanent jobs in the child care industry. Funding is piecemeal, short-term, and oriented to goals not consistent with the creation of a professional child care work force with long-term stability.

In order to achieve a more beneficial use of direct job creation programs in the future, three options may be explored:

a) to encourage the reorientation of direct job creation programs to more long-term social goals

Social policy reviews currently underway in CEIC suggest the possibility that such alternatives are already being explored, and strong representations could be made to the appropriate Cabinet members about the benefits of such a change.

However, the chances of success may be slim. During the course of this research, CEIC officials at many levels expressed their opinions that direct job creation was not the appropriate vehicle for funding the child care industry; they consider this avenue is used by the child care industry to get funding "via the backdoor" for its on-going staffing requirements and, as such, is a distortion of the program principles.

b) to develop constructive alternatives to take advantage of current short-term job creation programs

Such alternatives would not provide permanent jobs in the child care industry but they could be the solution to centre needs. For example:

- an unemployed handiman could be hired for several weeks to repair toys, tables etc.;

- an unemployed artist, actor or musician could provide a change of pace to day care centre programs;
- a student could be hired for the summer to track down information on all kinds of subject matter from local special events to the names of local unlicensed caregivers.

c) to increase awareness in the child care industry of direct job creation and other government programs

The fact that day care centres have tended to use the contra-cyclical programs rather than the more socially-oriented programs is probably a reflection of the fact that the former are high-budget, high-profile programs, while the latter are low-budget and low-profile. Directing the attention of the child care community towards the smaller programs they may not currently be aware of could result in their better use of current resources.

Similarly, the potential exists for child care operations to benefit from the use of grant programs which are not strictly of the job creation type. For example, a grant from the New Horizons for the Elderly program could be sought with the intention of involving senior citizens in a centre's program.

Finally, the results of past job creation programs may be relevant to the current needs of certain child care operations. Particularly important in this regard are the research studies undertaken in past programs to collect and develop culturally-based program material for children of non-English ethnicities; for example, in the projects listed in this report were studies on native Canadian, Spanish and French programming for day care centres.

With a greater awareness of what kind of initiative is relevant, and with an imaginative approach to funding alternatives, the child care industry can make better use of direct job creation programs. Such programs can then be a flexible component of an over-all strategy for the industry.

Information for PART II was provided from CEIC Annual Reports, program pamphlets, published departmental program reviews, special computer runs from John Kreppner of the Ontario Division of CEIC Employment Development Branch, and conversations with several officials in CEIC. Information on the application of job creation funds in a day care setting included discussions with Jim Wilkinson and Susan Smith of Regal Rd. Day Care Centre in Toronto.

III. DRIE AND BEYOND: INDUSTRIAL ASSISTANCE PROGRAMS

III.1 INSTRUMENTS OF INDUSTRIAL POLICY

Employment goals are important in the implementation of programs conceived and executed not only under manpower policy, but also under the broader, more extensive heading of industrial policy. An industrial policy is intended to control economic structures, behaviour and/or performance. [1]

An industrial policy may be implemented through one or more instruments. Examining the potential and actual application of instruments of economic policy is important in the context of this paper's objectives for the following reasons:

- the child care industry may actually or potentially benefit from initiatives in the industrial policy arena; and
- the instruments used to implement industrial policy are often the same as, or similar to, those available in the manpower and social policy fields.

Policy instruments may be broadly classified under two headings: interventionist (ones which involve direct control over the way in which resources are allocated); and non-interventionist (ones which rely on the market to allocate resources). Financial assistance to business is the major form of interventionist policy instrument, while tax favours, in-kind transfers to firms, regulations and government procurement policies are examples of non-interventionist instruments.

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1. A study being prepared for the Royal Commission on Canada's Future is relevant to the discussion in this section. The study is to deal with the basic characteristics of public assistance to industry in Canada, including the factors that cause governments to take one position rather than another. It is scheduled for release on or after June, 1985.

III.1.1. INTERVENTIONIST POLICY INSTRUMENTS

(a) Cash transfers to firms

At both federal and provincial levels of government, substantial amounts of financial assistance are provided to business. Such aid takes the form of direct subsidies, preferred-rate loans, loan guarantees, and equity purchases.

Direct government assistance to industry dates back to the federal Guarantee Act first passed in 1840 to guarantee the debentures issued to finance railway construction. After World War I, some provincial governments entered the business finance market (eg. British Columbia's Industrial Development Fund from 1919 to 1937, New Brunswick's Assistance to Industry Act of 1936, and Alberta's Provincial Industries Development Act in 1936). However, it was not until after World War II that government intervention through financial instruments assumed its present form, with the major growth in scale and scope occurring within the last decade. As a result:

> On March 31, 1980, there were 28 agencies, boards and departmental divisions at the federal and provincial levels whose primary activity was to provide business loans, investments, and loan guarantees. Total loans and investments outstanding amounted to almost $6.0 billion; and guarantees to $577 million. Almost all of this assistance was provided through programs, with ad hoc intervention to deal with specific cases representing less than 7 per cent of the total. [1]

There has been no real change, however, in the objectives pursued at both federal and provincial levels during the 35 years in which different agencies and programs evolved.

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1. Economic Council of Canada. Intervention and Efficiency. 17

- Eleven agencies and programs (accounting for about 45% of the total assistance outstanding) are basically in the role of "lender of last resort".
- Nineteen agencies and programs (accounting for more than 60% of the total assistance outstanding) include objectives dealing with the economy as a whole — transformation of the industrial structure, job creation, establishment of new industries in a designated location, etc.
- Thirteen agencies and programs (accounting for more than half of the assistance outstanding) specify in their enabling legislation that activities financed must be of considerable benefit to society as a whole.

It would appear from this review that the objectives of industrial assistance programs lend themselves to application in the child care industry. However, in fact, a more detailed review of the enabling legislation of agencies and programs reveals the following:

- The "social benefits" referred to in 13 programs are rarely explicit. (A significant exception is Manitoba's Communities Economic Development Fund which specifies that before assistance is granted, there must be an assessment of job creation/displacement effects, welfare cost, etc.). One suspects that such clauses are normally inserted for appearances rather than for intended effects.
- Only five of the 28 programs and agencies, accounting for only a small proportion of funds outstanding, place emphasis on small business; the Small Business Loans Act is by far the major one. Five

other agencies are explicitly directed at small and medium-sized firms; the FBDB alone distributes 95% of this assistance.

- The majority of assistance programs are specifically targeted to manufacturing. It is not difficult to understand why this somewhat cynical excerpt from a speech in 1973 is still valid today:

> Keep in mind that most of the assistance programs are for Canadian manufacturing companies, meaning that the federal government will receive a 12% federal sales tax on the gross output of that corporation. In addition to that federal sales tax amount the federal and provincial governments will receive up to a 50% share in the net profit of the corporation in the form of Corporate Income Tax. Those same governments receive sales taxes on goods applied to that company and personal income tax from employees of that company. Obviously such a partner in every business activity reaping some 22 billion dollars a year is pleased to make investments to expand that activity. [1]

Conclusions:

Evidently a wide range of financial assistance programs is available. However, it is difficult to imagine how most could be applied in the child care industry.

For example, the Small Business Loans Act was instituted in 1961 to encourage a greater flow of term funds from the private sector to small business. Two-fifths of all loans in 1983 were to service businesses. However, non-profit organizations are specifically excluded in the legislation, as are working capital requirements; items which are eligible for loans are land, buildings and equipment purchase or improvement. As a result, the number of businesses in the child care industry which could benefit from such a

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1. Cosh. "Government Incentives and Development Programs". 8.1 - 8.2

program is minimal. (In fact, officials in DRIE could recall of no use of SBLA by day care centers.)

It is quite possible that a child care center or activity has taken advantage of an industrial assistance program for a specific circumstance that met the program criteria; for example, the building or renovation of a for-profit day care centre would seem to qualify according to listed criteria. But the basic characteristics of the financial assistance market do not suggest that a model or vehicle exists therein for broad application in child care.

III.1.2. NON-INTERVENTIONIST POLICY INSTRUMENTS

(a) Tax Favours

The federal and provincial governments have offered several types of tax incentives aimed at stimulating industrial expansion in general, as well as developing particular regions and industries.

Examples are:

Corporate Tax Incentives:

- reduced rate of tax for small business
- accelerated depreciation on new investments in manufacturing and processing, plus preferential rates on taxes on profits
- tax credits and preferential rates for firms investing in designated areas of the country
- immediate write-offs on investments of motion picture firms
- accelerated depreciation and investment tax credits for expenditures on research and development and mineral exploration and development

- special incentives for investments in air and water pollution control

Federal Excise Tax Exemptions

- all manufactured goods purchased by farmers for use on commercial farming in the production of goods
- all materials, equipment and supplies used in the development of new products or processes
- all transportation equipment used for carrying freight

Sales Tax Exemptions

- temporary abolition of provincial sales taxes on products of troubled industries (eg., in 1978 in Quebec on furniture, clothing, leather goods and shoes).

(b) In-Kind Transfers to Firms

Federal and provincial governments provide a wide range of goods and services that ultimately benefit business firms (eg., roads, harbours, universal education) but also more specifically-targeted goods and services aimed primarily at business firms:

- provision of information
- technical assistance in planning
- research and development
- marketing support, including many programs to improve exports
- training and mobility support to workers

(c) Regulations

Many regulations cannot be construed as providing industrial assistance; eg., product standards, quality controls, rates of return allowed

to franchised public utilities, etc. However, some regulatory interventions are important instruments:

- protective tariffs and import quotas;
- marketing board output controls on agricultural products;
- controls over entry into certain industries (eg., trucking) or professional occupations.

(d) Procurement

The federal Department of Supply and Services purchases over $3 billion in goods and services annually, and Canadian products are favoured; also stipulated is that goods and services purchased should be produced as near as possible to the point of consumption. Provincial governments have also instituted procurement policies which may allow exclusion of outside bids or payment of a premium for local products.

Conclusions

Non-interventionist policy instruments are also not very suggestive of a model vehicle for improving the child care industry in Canada. However, certain ones can have modest benefits.

(a) Tax Favours - Federal Excise and Sales Tax Exemptions

Under Section 45(1) of the Excise Tax Act, an institution which is certified by the Department of Health and Welfare Canada to be a <u>bona fide</u> public institution whose principle purpose is to provide certain kinds of care (including child care), and which is in receipt of aid from the federal or provincial government, is eligible for refunds on tax paid on manufactured goods. Many non-profit day care centres are eligible and can therefore get

refunds on items on which this manufacturer's tax has been paid. (For example, such tax is levied on playgound equipment and toys, but not diapers.)

Of significant potential importance to the expansion of the child care industry is the fact that the excise tax on construction costs for building and renovating can be rebated for expenditures incurred up to two years prior to the certification of a centre. However, since current regulations cover only programs at the site of the accredited institution, family day care satellite operations would not currently be included. HWC officials consider this to be a grey area which would need to be analyzed by HWC.

b) Provision of business information

Both federal and provincial governments have a range of delivery mechanisms in place to distribute information on topics relevant to small business.

Federal Business Development Bank

- Publications are available on establishing, financing, administering and managing a small business in Canada. Topics include accounting, legal requirements, taxation, federal and provincial incentive programs, and even instructions relevant to a single province or city. Many publications are free and are available from a network of regional and branch offices across the country.
- Management services programs for small businesses include seminars and courses in management as well as a counselling program that puts 1 500 business counsellors at the service of small and medium-sized businesses across Canada.

Small Business Secretariat

- A "hotline" service provides free calling privileges from anywhere in Canada for small businesses requesting information on federal assistance programs, regulations, etc.

Ontario Department of Industry and Trade

- Small Business Consulting Service at Universities provides consulting services in all areas of business management by selected senior business students at universities across Ontario.
- Seminars in business management are held at intervals across the province.

Similar kinds of information and support programs are offered in other provinces.

c) Training Programs for Child Care Workers

CEIC manpower training programs underwrite all or part of training and wage costs for skill training in an institutional setting or on the job. Different courses are available regionally and locally across the country, and child care workers have definitely been trained through such programs. Numbers involved are very small; in 1982-83, only 349 institutional trainees and 413 industrial trainees are recorded for the entire social science and related category in which child care falls.

However, such programs, because they have been used particularly for native peoples and for small isolated communities, provide an excellent potential mechanism for improving child care services in rural Canada where lack of child care has been termed "a critical issue". [1]

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1. McGhee. Women in Rural Life. 17

There is a future potential for training programs in child care, but strong representations would have to be made to CEIC, as child care is not on national or regional priority lists. Using day care centres with their well-educated and experienced staffs to train new care-givers recruited for family day care would benefit centres financially as well as ensuring quality training for the new care-givers. However, on-the-job training is currently approached quite differently at CEIC; their training programs are established according to Canada Manpower Centre evaluations of skill shortages.

III.2 PROGRAMS OF THE DEPARTMENT OF REGIONAL INDUSTRIAL EXPANSION

The federal Department of Regional Industrial Expansion was created two years ago as a restructuring and amalgamation of the Department of Regional Economic Expansion (DREE) and the Department of Industry, Trade and Commerce (ITC).

The objective of this new department is "to increase overall industrial, commercial and tourism activity in all parts of Canada by building on regional strengths." [1]

According to a recently-issued department publication, this objective is achieved by:

- working with business, labour, other governments and the academic community;
- shaping the framework set by government policies;
- providing financial, marketing and other technical information to business; and
- where necessary, extending direct financial assistance.

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1. IRDP pamphlet "Industrial and Regional Development Program", 1984

III.2.1 IRDP - INDUSTRIAL AND REGIONAL DEVELOPMENT PROGRAM

> The Industrial and Regional Development Program is the government's key instrument to deliver federal assistance to industry. [1]

The following information on the program is taken from a departmental pamphlet on IRDP. It is repeated here as a brief review of the program's operation.

> Administered by the Department of Regional Industrial Expansion (DRIE), it is the first industrial development program that applies to every step in the industrial development process.
>
> Combining the best elements of several former programs in a simplified and streamlined form, IRDP has been tailored to pay particular attention to the needs of small and medium-sized businesses and to be sensitive to local and regional economic conditions.
>
> What Does IRDP Offer?
>
> IRDP will provide a wide range of financial support including grants, contributions, repayable contributions, participation loans and loan guarantees.
>
> The program, recognizing there are several critical stages in a project's development and growth, is designed to provide assistance at each phase. The elements of the program are:
>
> > Industrial Development Climate - Assistance for studies, specialized common services and other infrastructure projects which significantly enhance regional economic development.
> >
> > Innovation - Assistance to stimulate the development of new products or processes which will increase industrial productivity and international competitiveness.
> >
> > Establishment - Assistance in the establishment of new production facilities, particularly in regions with a relatively high economic disparity.

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1. IRDP pamphlet

Modernization/Expansion - Assistance to modernize or expand existing operations which will enhance national productivity. Includes funding to manufacturers and processors for initial installation of microelectronic devices.

Marketing - Assistance to manufacturing or processing firms through their associations for marketing research and/or strategy studies. Tourism operations may also qualify for assistance in domestic market development and organization of special events and conferences. (In addition, DRIE also administers the Program for Export Market Development (PEMD) for the Department of External Affairs.)

Restructuring - Assistance to firms and industries investing to adjust to changing competitive conditions or to produce new or more competitive products or services.

Where Does IRDP Apply?

IRDP applies everywhere in Canada.

The program is structured though, so that four different levels, or "tiers", of assistance have been established. The different levels take into account local unemployment, the level of personal income and the provincial fiscal capacity. The basic units are 260 of Canada's census districts.

Beginning with Tier 1 which applies to Canada's most developed areas, the levels of assistance progressively increase to the Tier IV category designed to assist Canada's most economically disadvantaged areas.

Who and What Qualifies for IRDP Help?

Provided their project is undertaken in Canada, individuals, corporations, partnerships, cooperatives, and non-profit organizations — regardless of ownership or taxation status — are eligible for consideration.

To qualify for assistance, projects must be commercially viable, must be seen to be of significant national and regional economic benefit and must be projects that would not proceed without IRDP aid.

Projects will be assessed individually and the assistance offered will be the minimum required to allow the project to proceed and to realize the optimum economic benefits.

Because of its responsibility to achieve the maximum return on the spending of public funds, DRIE will consult with the private sector, provincial governments and other interested parties to establish a system of assistance priorities. Regional development will be of paramount importance.

No project will be eligible for assistance if any legal commitment has been made in its regard prior to the date upon which the Department receives the application. [1]

III.2.2. APPLICATION OF IRDP TO CHILD CARE INDUSTRY

For the following reasons, there is little possibility that the IRDP could be used (in its present form) to advantage in the child care industry:

- The program is geared to manufacturing and processing. Sub-agreements signed with the province are industry-specific (forestry, mining); tourism (a service industry) is included, but only projects meeting the other specifications are funded (eg., construction of convention centres or major attractions).
- The main bellringers for support are:
    - import substitution or
    - export improvement or
    - productivity improvments.

  None of these applies to the child care industry.
- No working capital is included in the assistance plan; only machinery, equipment and such capital costs are allowed, as well as market research/feasibility studies relevant to capital investments.
- Assistance is one-time and short-term. According to one DRIE official, 70-75% of expenditures to date have been under the modernization and expansion component of the program and the typical project is completed in four to five months.

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1. IRDP pamphlet.

While the IRDP program itself is not applicable to the child care industry, its structure and operation suggest its usefulness as a model for federal funding to the child care industry (supply side policy). Of course, a federal child care funding structure would require only a scaled-down version of the IRDP structure because only one small industry is involved, rather than numerous large industries. However, several of the features of the IRDP operation have a relevant parallel to a child care funding scheme and could be usefully copied:

- Both regional development and child care cross federal/provincial jurisdictional boundaries. Therefore, the DRIE procedures for intergovernmental consultation and creation of sub-agreements could be useful as a guide on how to proceed.

- All federal funding programs, whether for regional development or for child care, are more cost-effective if targeted specifically to confirmed areas of need rather than applied universally across an industry. Therefore, the IRDP concept of tiers could be adopted in a child care funding program to ensure that child care of the type needed and to the extent needed is all that is funded. To establish tiers, a statistical formula would be used to determine the requirements of each census area or labour force enumeration area; for example, the number of children of working parents could be calculated as a

ratio to licensed care spaces by age group. Although such a calculation would overstate true demand (for reasons presented in Part I), it would be a consistent benchmark across the country.

- Flexibility in dealing with a changing environment is essential for both regional industrial development and child care funding. As the economy changes, industrial assistance programs must adapt to meet new needs and avoid wasting funds on types of projects no longer requiring aid. Similarly, the child care industry must adapt to changing demand factors, especially the tendency of neighbourhoods to "age" and require different types of child care at different times. The IRDP tier structure allows such flexibility; as the formula calculations demonstrate a change in need, designated areas can be reclassified quickly into a different tier for support. Such administrative flexibility reduces pressure at the policy level for legislative changes to respond to environment changes.

- The potential difficulties associated with open-ended funding were discussed in Part I. Programs like IRDP avoid such difficulties without sacrificing responsiveness; within the structure of the fixed annual costs, there is room to adjust to changing needs in the client population.

The Child Care Resources Fund suggested by the Canadian Day Care Advocacy Association is at least one example of a proposed policy alternative that could benefit considerably by incorporating specific components of the IRDP program.

SUMMARY AND CONCLUSIONS

PART I

A JOB CREATION MODEL FOR THE CHILD CARE INDUSTRY

There are 21 204 full- and part-time jobs in the licensed child care industry; this represents 0.2% of employed Canadians. The informal care sector can be estimated as 4.5 times larger than the formal sector.

Policy options considered are direct government subsidization of the market price for day care, the CDCAA $5 per diem proposal, government direct job creation, and income tax provisions including increased child care deduction levels and an optional tax credit.

THE MODEL: COMPONENTS

Current models used in the federal government to estimate the job creation effect of policy alternatives are not applicable to a small industry with the characteristics of the child care industry. Consequently, a new model is developed with 3 components:

Supply - licensed care-givers

Demand - working parents

Funding - government

The model is executed by incrementing the increases in new demand served, and calculating the number of spaces and jobs created and the resulting costs to government for this expansion. Different scenarios allow comparisons of different expansion routes; for example, since infant care is the portion of demand least well served in the current sector, one scenario increments

increases in demand served for infant care at higher rates than for pre-school and school-age child care. All scenarios assume a 50/50 split in expansion between centre care and FDC care.

Subsequent sections expand on the relationships or linkages among the three components in the model. Since such relationships cannot be quantified, given current data on the industry, they are described at length. Such analysis reveals potential problems to be dealt with in reaching the expansion levels projected in the model, as well as reviewing the costs and benefits of the various policy alternatives.

THE MODEL: LINKAGES

1. Constraints (the barriers within each of the components to the successful implementation of a policy initiative)

(a) Supply

- The expansion of the supply of day care facilities must include the creation of new supply in geographic areas not now served.
- The physical capacity for expansion of the current supply of day care facilities even to meet the current demand in their area may be quite limited.
- Therefore, the expansion of day care supply involves capital costs for new facilities; costs are not included in any of the policy proposals under evaluation.
- Channelling expansion into the family day care option may be faster initially, and minimize start-up capital costs.
- However, FDC has been less successful than expected in the past as a vehicle for rapid and flexible increases in day care facilities.

(b) Demand

- The demand for all kinds of child care (formal and informal) exceeds the supply.
- Labour market factors will continue to draw more mothers into the labour force, but the greater flexibility in job patterns means that such increases will not translate directly into demand for out-of-home child care.
- Affordability - the inability of middle income earners to pay the higher price for licensed care and therefore the reason for their choice of unlicensed care — is not substantiated by the comparison of costs in the two sectors. Therefore, making licensed care more affordable will not necessarily divert this income group's demand from the unlicensed to the licensed sector.
- Parental preferences in child care often emphasize characteristics popularly believed more typical of the informal sector — namely, local accessibility, family-type caring context and flexibility.
- Parental preferences in child care also value stability highly — a characteristic more typical of the licensed sector.
- Therefore, family day care, which potentially combines all of these preferences, may be a licensed care alternative better suited to divert demand from the unlicensed to the licensed sector.

(c) Funding

- Federal/provincial division of jurisdicational powers may pose difficulties or at least delays to the extent that policy options are in a social service orientation (mixed jurisdiction) rather than a more clearly-defined manpower orientation (federal jurisdiction).

- The income tax system is a delivery structure already in place, and direct job creation has counterparts in place that can be copied; policy alternatives not using these mechanisms require the establishment of a delivery mechanism.

2. Execution Timing (the time frame over which the first results of the new funding become evident in the creation of new jobs)

- Different policies have different time frames over which their job creation potential is greatest.
- A combination of policies with maximum potential to increase the supply of licensed care in the short term and only subsequently to channel new demand to the licensed sector would take best advantage of the execution timing of policy alternatives.

3. Leakage (the loss of funds diverted to the unlicensed sector or to other applications rather than being channelled into creating new licensed care jobs)

- Supply policies suffer varying degrees of leakage from funds being assigned to expenditures other than new staff salaries.
- Such leakage can be minimized by the extent to which funds are specified to be for creation of new jobs only.
- Demand policies may suffer high rates of leakage from lack of uptake by eligible parents.
- Such leakage can be minimized by making the income tax credit conditional on using licensed care and by establishing cut-off levels at incomes sufficiently high that middle-income families will be enticed to change to licensed care.
- All policies suffer from varying degrees of leakage in terms of government efficiency considerations.

4. Feedback (the potential changes in each of the components resulting from the policy initiative undertaken and likely to impact on the subsequent job-creating success of the policy)

- A snowball effect of funding through a supply side policy is not likely to occur.
- Absorbing informal care-givers into the licensed care system may have long-term negative effects on perceived quality and current care-giver attributes of professionalism in the licensed sector.
- Expansion of FDC may be more expensive than current cost projections indicate, and may, as a large scale project, result in the long run in a less-than-expected ability to deliver the benefits.
- Consequently, to benefit from the advantages of FDC and to maximize on current demand, a policy could be designed for initial high expansion of infant spaces at FDC. (Demand for licensed infant care is least well served currently, and FDC is the sector best equipped to match demand criteria for such care.) Longer-term policies could be designed to principally benefit day care centres.
- The potential for unanticipated increases in labour force participation rates by mothers because of expanded licensed care facilities is low.
- Open-ended formulas for subsidizing licensed spaces can potentially result in uncontrolled costs to the federal government each successive year.
- Increased government involvement in child care may in itself lead to increased costs per day care space.

Exogenous Effects

There will be some wider economic benefit accruing from expansion of the licensed care industry. However, since the industry is labour-intensive,

the ability to quantify such benefits in economic multiplier calculations is quite limited.

PART II

DIRECT JOB CREATION PROGRAMS

Job creation programs have tended to be developed specifically to cope with seasonal or cyclical unemployment, and therefore have characteristics not compatible with the long-term goals of the child care industry:

- Programs start and end as the economy requires them, resulting in a short life span for each program.
- Employment in programs is, as a result, predominantly short-term and rarely over a year in duration.
- Job creation programs explicitly avoid projects in which there is a potential for dependency on funds for the long term.
- Wages are usually at or near the minimum wage level.
- Project participants are usually unemployed, social assistance recipients and/or employment-disadvantaged and may have no interest in, or training for, child care.
- Payments by job creation agencies may occur long after payrolls have been paid, and this may cause a financial drain on the sponsoring agency.
- Projects initiated under a job creation scheme may conflict with policies and priorities of established authorities (including other government departments) in that field.
- No on-the-job training benefits for future employment in the field seem to accrue to project participants.

The major benefit of job creation is in the provision of holiday relief staff during the summer months when additional children require care and child care workers themselves have holidays.

There are three options for improving the potential success of direct job creation programs in the child care industry:

- to encourage the reorientation of such programs by CEIC to more long-term social goals;
- to develop constructive alternatives for the child care industry to take advantage of direct job creation programs as they are currently configured;
- to increase awareness in the child care industry of direct job creation and other government programs so they can make optimal choice and use of such programs.

PART III

INDUSTRIAL ASSISTANCE PROGRAMS

Many different types of policy instruments have been implemented as part of industrial policy, and assistance to industry in the form of subsidies, loans etc., is only one part of the total strategy for government involvement with industry. The parallel is obvious: the child care industry could benefit most from a strategy that employs different policy instruments such as a mix of supply and demand alternatives.

Cash transfers by government to firms in Canada are substantial, with $6.0 billion in loans and investments outstanding in 1980. The characteristics of programs originating these transfers, however, are not conducive to an application in the child care industry:

- Few are geared to small business.
- Few have any real "social benefits" orientation.
- Most are targeted to manufacturing.
- Most are short-term.
- Most underwrite capital acquisitions only and explicitly reject working capital requirements (such as salaries) for consideration.

The Industrial and Regional Development Program (IRDP) is the federal government's "key instrument to deliver federal assistance to industry" (according to the IRDP brochure). It also is not applicable to use in the child care industry:

- It is geared to manufacturing and processing.
- Support is provided mainly for purposes of import substitution, export improvement, or productivity enhancement.
- Only machinery, equipment and land costs are allowed, and working capital is specifically excluded.
- Assistance is one-time and short-term.

IRDP's potential usefulness to a service industry that is highly labour-intensive is as a model for creating sub-agreements with the provinces, and for determining support levels according to standardized formulas that take into account local requirements.

Small businesses feel excluded from the industrial assistance net established by governments, and they are becoming an increasingly vocal lobby for change. They are an important potential ally for the child care industry, which essentially is a conglomerate of very small businesses.

Also, the information-dissemination programs that have been increasingly developed across the country to serve the needs of local small businesses are of significant potential importance locally in any effort to put child care operations on more of a solid business footing. Especially useful are pamphlets and programs for effective use of income tax provisions by grey market workers and manpower training programs for child care workers in remote areas.

Expansion of day care centres and construction of new ones may be able to take advantage of various loan and other programs. Not-for-profit centres are eligible for federal sales tax rebates on taxable materials used in construction or expansion, and for-profit centres may qualify under SBLA or other loan programs for assistance with funding their capital costs.

APPENDIX 1

CALCULATION OF JOBS IN INFORMAL CARE

ASSUMPTION A:

- that children currently identified as being cared for by parents, by siblings, and by themselves should not be included in the category of informal care

This understates informal care because of the known incidence of latchkey children under the legal age for being in unsupervised settings. However, it is impossible to determine, from current statistics, how many school-age children are in this category. Assuming that all 6-12 year old children require adult care is likely to overstate informal care requirements by a more significant degree and is therefore rejected as the preferred assumption.

ASSUMPTION B:

- that children of parents working or studying part-time only be excluded from calculations

There are no estimates available on the proportions requiring care. Such parents are likely to manage all necessary child care themselves in much higher proportions than full-time workers/students.

ASSUMPTION C:

- that an average of 2.72 children are in the care of each informal care-giver

This ratio is drawn from one of the few available studies of informal care-givers and is the average based on 275 such care-givers in six communities across Ontario. It is therefore not necessarily representative of the situation nationally. However, it is commonly believed that care-givers care for only a

few children in addition to their own, and provinces have limitations on the total number of children, including the care-giver's own, which can be in one place without mandatory licensing or supervision; in Ontario, this number is five. While there are documented incidences of the irresponsible booking of more children than legally and morally acceptable in order to maximize profit, it must be assumed that such practices are the exception rather than the rule.

FULL TIME INFORMAL CARE-GIVER JOBS FOR CHILDREN AGE 0-6

# of children age 0-6 with parents working or studying full time...........457 700

Less: # of children age 0-6 cared for by own parents

= 20% X 418 156............91 540

Less: # of children cared for in licensed day care...........136 187

Balance: # of children age 0-6 currently in informal care. 229 973

# of care-givers required for care:

$\frac{\text{\# of children in informal care.}}{2.72}$ 84 549

PART TIME INFORMAL CARE-GIVER JOBS FOR CHILDREN AGE 6-12

# of children age 6-12 with parents working or studying full time..........747 455

Less: # of children age 6-12 cared for by own parents, siblings, selves

= 92% X 747,455..........687 659

Less: # of children cared for in licensed day care............19 845

Balance: # of children age 6-12 currently in informal care...........39 951

# of care-givers required for care:

$\frac{\text{\# of children in informal care..}}{2.72}$ 14 688

CONCLUSIONS: NUMBER OF CARE-GIVERS IN THE INFORMAL MARKET

Full-time:	84 549
Part-time	14 688
Person-years	91 893 (calculating part-time as half-time)

: RATIO OF INFORMAL/FORMAL JOBS

$$\frac{\text{Person-years in informal market}}{\text{Person-years in licensed market}} = \frac{91\ 893}{20\ 475} = 4.5$$

Sources: Longwoods Research Group. op. cit.
"Financing of Child Care in Canada"
DPA Group. op. cit.

APPENDIX 2

PROGRAM LISTING FOR CALCULATIONS OF JOB CREATION MODEL

```
C       Job creation model program created for TFOCC (Jan 1985)
C       by MICRO WAYS. Program written in Data General Fortran
C       and run on a Data General S/20 computer.
C
C       A is the input/output variable list
C       AS contains a label for each variable
C       "NO" is the number of model calculation scenarios
C       "NOS" is the label allocation length (times 2 for # of characters)
C       "NOV" is the # of variables A
C-----------------------------------------------------------------------
        COMPILER DOUBLE PRECISION
        PARAMETER  NO = 20
        PARAMETER  NOS = 10
        PARAMETER  NOV = 18
C-----------------------------------------------------------------------
        DOUBLE PRECISION A(NO,NOV),C1,C2,C3,F1,F2,F3,R1,R2,R3,
     .                 RN1,RN2,NOC,CSR1,CSR2,CSR3,CSR4,FSR,MS,W1,W2,
     .                 ADM,P1,P2,P3,P4,MR,CD,G1,G2,TC1,TC2
        INTEGER AS(NOS,NOV)
C
        COMMON/CDATA/ A,AS
C
        DATA AS(1,1) /"% demand served 0-2 "/
        DATA AS(1,2) /"% demand served 2-12"/
        DATA AS(1,3) /"% wage incr. centres"/
        DATA AS(1,4) /"% wage incr. FDC    "/
        DATA AS(1,5) /"% of spaces to FDC  "/
        DATA AS(1,6) /"Spaces created 0-2  "/
        DATA AS(1,7) /"Spaces created 2-6  "/
        DATA AS(1,8) /"Spaces created 6-12 "/
        DATA AS(1,9) /"Spaces created total"/
        DATA AS(1,10)/"Jobs created centres"/
        DATA AS(1,11)/"Jobs created FDC    "/
        DATA AS(1,12)/"Jobs created total  "/
        DATA AS(1,13)/"Govt cost 100% subs "/
        DATA AS(1,14)/"Govt cost 50% subs  "/
        DATA AS(1,15)/"CDCAA proposal cost "/
        DATA AS(1,16)/"Direct creation cost"/
        DATA AS(1,17)/"Full tax rebate cost"/
        DATA AS(1,18)/"Tax credit cost     "/
C
C Input data list for scenarios
C
        DATA A(1,1)  /10D0,20D0,30D0,40D0,50D0,5*20D0,
     .                10D0,20D0,30D0,40D0,50D0,5*20D0/
        DATA A(1,2)  /10D0,20D0,30D0,40D0,50D0,5*20D0,
     .                 5D0,10D0,15D0,20D0,25D0,5*10D0/
        DATA A(1,3)  /5*0D0,5D0,10D0,15D0,20D0,25D0,
     .                5*0D0,5D0,10D0,15D0,20D0,25D0/
        DATA A(1,4)  /5*0D0,10D0,20D0,30D0,40D0,50D0,
     .                5*0D0,10D0,20D0,30D0,40D0,50D0/
        DATA A(1,5)  /20*50D0/
```

```
C Constants
        C1 = 9367.                  ;Current centre space 0-2
        C2 = 112541.                ;Current centre space 2-6
        C3 = 16869.                 ;Current centre space 6-12
        F1 = 8810.                  ;Current family day care space 0-2
        F2 = 5469.                  ;Current family day care space 2-6
        F3 = 2976.                  ;Current family day care space 6-12
        R1 = 131751.                ;Total projected spaces 0-2
        R2 = 325949.                ;Total projected spaces 2-6
        R3 = 747455.                ;Total projected spaces 6-12
        RN1 = .8                    ;Realistic need 0-6
        RN2 = .08                   ;Realistic need 6-12
        NOC = 3200.                 ;# of centres
        CSR1 = 4.15                 ;Children per staff in centres 0-2
        CSR2 = 7.77                 ;Children per staff in centres 2-6
        CSR3 = 11.57                ;Children per staff in centres 6-12
        CSR4 = 7.63                 ;Children per staff in centres 0-12
        FSR = 5.74                  ;Children per staff in family day care 0-6
        W1 = 15163.                 ;Ave. wage in current centre
        W2 = 6600.                  ;Ave. wage in family day care
        ADM = .333                  ;Administration cost ratio
        P1 = 3506.                  ;Market price in centres 0-2
        P2 = 3374.                  ;Market price in centres 2-6
        P3 = 1758.                  ;Market price in centres 6-12
        P4 = 1872.                  ;Market price in family day care 6-12
        MR = .17                    ;Marginal tax rate
        CD = 2000.                  ;Current day care cost deduction
        G1 = .426                   ;People in low income group
        G2 = .486                   ;People in mid income group
        TC1 = .333                  ;Low income tax credit
        TC2 = .167                  ;Mid income tax credit
C------------------------------------------------------------------------
C Model equations - calculate for all scenarios
        DO 100 IR = 1, NO
C Remaining demand
                D1 = R1*RN1 - C1 - F1
                D2 = R2*RN1 - C2 - F2
                D3 = R3*RN2 - C3 - F3
C Increased spaces required
                SP1 = A(IR,1)*D1/100.
                SP2 = A(IR,2)*D2/100.
                SP3 = A(IR,2)*D3/100.
C Family day care spaces required
                FSP1 = A(IR,5)*SP1/100.
                FSP2 = A(IR,5)*SP2/100.
                FSP3 = A(IR,5)*SP3/100.
C Day care centre spaces required
                DSP1 = SP1 - FSP1
                DSP2 = SP2 - FSP2
                DSP3 = SP3 - FSP3
C # of spaces created in age groups and total
                A(IR,6) = SP1
                A(IR,7) = SP2
                A(IR,8) = SP3
                A(IR,9) = SP1 + SP2 + SP3
```

```
C # of jobs required to handle spaces in family day care
                FJOB1 = FSP1/FSR
                FJOB2 = FSP2/FSR
                FJOB3 = FSP3/FSR
C # of jobs required to handle spaces in centre day care
                DJOB1 = DSP1/CSR1
                DJOB2 = DSP2/CSR2
                DJOB3 = DSP3/CSR3
C # of jobs in centres, FDC and total
                A(IR,10) = DJOB1 + DJOB2 + DJOB3
                A(IR,11) = FJOB1 + FJOB2 + FJOB3
                A(IR,12) = FJOB1 + FJOB2 + FJOB3 + DJOB1 + DJOB2 + DJOB3
C Cost of spaces in family day care
                FCOST = (FSP1*P1 + FSP2*P2 + FSP3*P4)*(1. + A(IR,4)/100.)
C Cost of spaces in centre day care
                DCOST = (DSP1*P1 + DSP2*P2 + DSP3*P3)*(1. + A(IR,3)/100.)
C Total cost - 100% subsidy (millions $)
                A(IR,13) = (FCOST + DCOST)/1000000.
C Total cost - 50% subsidy (millions $)
                A(IR,14) = .5*(FCOST + DCOST)/1000000.
C Cost CDCAA proposal
                A(IR,15) = (FSP1 + FSP2 + FSP3 + DSP1+ DSP2 + DSP3)*
     .                                          5.*5.*52./1000000.
C Direct job creation cost
                A(IR,16) = (W2*(1. + ADM)*(1. + A(IR,4)/100.)*
     .                                          (FJOB1 + FJOB2 + FJOB3) +
     .                            W1*(1. + ADM)*(1. + A(IR,3)/100.)*
     .                                  (DJOB1 + DJOB2 + DJOB3))/1000000.
C Tax rebate cost
                A(IR,17) = MR*(FCOST + DCOST - CD*(SP1 + SP2 + SP3))/1000000.
C Tax credit cost
                A(IR,18) = (FCOST + DCOST)*(G1*TC1 + G2*TC2)/1000000.
100     CONTINUE
C
C Print results
        DO 200 IR = 1, NO, 5
                KR = IR + 4
                IF(KR .GT. NO) KR = NO
                WRITE(10,2000) (JR, JR = IR, KR)
                DO 180 LR = 1, NOV
                        WRITE(10,2100) AS(1,LR), (A(JR,LR), JR = IR, KR)
180             CONTINUE
                WRITE(10,2200)
200     CONTINUE
        CALL EXIT
C
2000    FORMAT (1X,T23,5(7X,I3,1X)/)
2100    FORMAT (1X,S20,T24,F10.0,T35,F10.0,T46,F10.0,T57,F10.0,T68,F10.0/)
2200    FORMAT (1X//)
        END
```

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A PROPOSAL TO COST-SHARE OPERATING AND START-UP GRANTS TO DAYCARE CENTERS: TEN-YEAR ESTIMATE OF THE IMPACT ON DAY-CARE SPACES, PERCENTAGE OF NEED MET, SALARIES, USER FEES, EMPLOYMENT AND FEDERAL EXPENDITURES

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for the
Task Force on Day Care
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1. Introduction

The purpose of this paper is to make estimates over a ten-year period of the cost and the impact of a proposal for the federal government to cost-share two new kinds of grants, flat-rate operating grants and start-up grants, to licensed, non-profit day-care spaces in Canada. In addition, it is proposed to revise the existing Canada Assistance Plan which provides subsidies to low-income parents so as to reduce the share paid by the poorer provinces. No change is proposed for the existing tax deduction for child-care expenses.

It is assumed that the decision to provide new grants is announced in 1986 and that the first stage of the plan would take effect in the fiscal year 1986-87. Projections are made for 1987, the first year of the plan, 1991, the fifth year when it is assumed that negotiations with the provinces will have been completed and that the total plan will be in effect, and for the tenth year, 1996. It is recommended that a new study be undertaken in 1994 so as to evaluate the effect of the plan on the development of day-care and to provide recommendations for extension of the plan or new subsidies for the period following 1996. All estimates are provided in 1984 dollars.

2. The proposal

Flat-rate operating grants

The proposal is for the federal government to cost-share a flat-rate operating grant to all provincially licensed, non-profit day-care centres and family home spaces. The amount of the grant would be approximately equal to 50% of the average operating cost of a day-care space for children aged 0 to 12 in each province at the end of a five-year period. Amounts for handicapped or special-needs children would be adjusted so that user fees would be the same as for other children.

Initially, in order to show good faith and to relieve the immediate financial crisis of the day-care centres, the federal government would offer a $4-$2-$1 formula without any requirement for provincial matching: $4 per day per space for infants under age two and for handicapped or other special-needs children, $2 for preschool children aged 2 to 6 and $1 for school-aged children. This initial formula would apply until each province negotiated a cost-sharing agreement, assumed here to be in force by 1991 at the latest.

Capital grants

The federal government would also offer to cost-share the full amount of start-up and renovation grants. In the first year, an amount equal to 20% of the estimated grant would be offered for all new places created in non-profit centres or homes without requiring the provinces to match funds. This amount would apply until an agreement was reached with each province.

Continued aid to low-income parents

Because the flat-rate grant would cover only 50% of the operating cost of day care at the end of the five-year phase-in period and even less prior to this date, a substantial part of the costs would still have to be covered by user fees. In order to make day care available to low- and lower middle-income parents, the existing CAP program would continue to apply. However, it is recommended that a new cost-sharing formula be negotiated with each province as described below.

The cost-sharing formula

In order to distribute the financial burden between provinces as equitably as possible and to ensure relatively equal quality of care from one province to the next, it is proposed that the proportion of all three kinds of grants provided by the federal government be inversely proportional to some index of the capacity to pay (ex.: per capita GNP, index of fiscal capacity) in each province. For example, in the provinces where the capacity-to-pay index is higher than, or equal to, the national average, the federal government would match provincial expenditures on a 50%-50% basis. In the poorest provinces the federal government might pick up as much as 80% of the cost of the grants. In the calculations given below, figures are given for federal matching in three possible cases: 50-50 for the richest provinces, 60-40 for provinces somewhat poorer than the average and 80-20 for the poorest provinces. Given the distribution of income and population in Canada, the calculations assume that the average federal share would be 55% with the provinces picking up 45%.

3. Projections of the impact of the proposal on day-care spaces and need

Number of day-care spaces in 1983

Table 1 shows the number of existing day-care spaces on March 31 1983 as published by Health and Welfare Canada.

Table 1: Licensed day-care spaces available in Canada, by age group, 1971 to 1983

	Children 0 - 3	Children 3 - 6	Children 6 +	Total
1971[1]	16 131		1,260	17,391
1973	3,626	22,074	1,773	28,371
1974	11,351	38,952	4,878	55,181
1975	10,859	53,730	5,363	69,952
1976	11,829	63,501	8,190	83,520
1977	15,237	58,626	7,788	81,651
	0 - 2	2 - 6	6 +	Total
1978	11,980	61,945	8,804	82,279
1979	8,851	77,929	7,072	93,852
1980	8,704	83,719	16,718	109,141
1981	n.a.	n.a.	n.a.	n.a.
1982[2]	14,322	96,181	13,459	123,962
1983	16,378	104,984	17,708	139,070

Source: Health and Welfare Canada, National Day Care Information Centre, Social Service Programs Branch, Status of Day Care in Canada, Different years.

Notes: 1) Excluding family home day care
2) In the 1982 report the breakdown by age group was estimated. They are adjusted slightly here so that the sum of the parts equals the total.

Rates of growth

The number of recognized day-care spaces in Canada is growing relatively rapidly in spite of the absence of a national, or even in many cases a provincial, policy for development and in spite of straitened financial circumstances. However, according to Health and Welfare Canada, (see Table 2) this growth has been very irregular. In the initial years, the growth for the age group 3 to 6 or 2 to 6 was very high because of the

small base. In the last four years, it has become more regular and has slowed to a number between 7 and 10%. For the two other age groups, the numbers are still large and irregular, reflecting the small number of existing spaces.

Table 2: Rate of growth of licensed day-care spaces in Canada, by age group, 1973-1983

	Children 0 - 3	Children 3 - 6	Children 6 +	Total
1973-74	213.0%	76.5%	175.1%	94.5%
1974-75	-4.3%	37.9%	9.9%	26.8%
1975-76	8.9%	18.2%	52.7%	19.4%
1976-77	28.8%	-7.7%	-4.9%	-0.2%
1977-78	n.a.	n.a.	13.0%	0.8%
	0 - 2	2 - 6	6 +	Total
1978-79	-26.1%	26.7%		14.1%
1979-80	- 1.7%	7.4%		16.3%
1980-81	28.3%	7.2%	15.0%[1]	6.6%
1981-82	28.3%	7.2%		6.6%
1982-83	14.4%	9.2%		12.2%

Source: Calculated from Table 1.

Note: 1) The figures given in the original source are probably unreliable and fluctuate greatly from year to year. The 15.0% given here represents the average annual rate of growth from 1978 to 1983.

For children 6 and over, there is reason to believe that the figures are highly inaccurate: in Quebec alone, Health and Welfare figures list 723 spaces whereas provincial figures indicate 10,111 spaces for the same year.(1) The problem seems to come from the fact that school-aged day care is the responsibility of the Ministry of Education and not of the office responsible for day care. This may be true in other provinces. The calculations below are based on the figures published by Health and Welfare Canada but higher rates of growth are assumed for this group including during the period before the new program would come into effect. Changes in the base estimate would not affect projected costs very much partly because growth could then be assumed to be slower and partly because care for children of this age is considerably cheaper than for the younger age groups.

Table 3 gives projections for the number of day-care spaces by age group for 1984 to 1996. For the period 1983 to 1987 before the new grant program would take effect, it is assumed that the number of licensed

day-care spaces increases by 10% per year for children 0 to 2 and 2 to 6, and by 15% for children 6 and over. It is assumed that there is no increase in the rate of growth in the first year of the program because of the time necessary for the provinces and the day-care community to adjust. Between 1987 and 1991, it is expected that the financing formula would permit faster and more regular growth at a rate of 25% per year for infants, 15% for children 2 to 6, for whom there already exists a fairly substantial number of spaces, and 30% for school-aged children. During the second phase of the plan after the level of the grant has stabilized, it is assumed that growth will slow somewhat to 22%, 10% and 25% respectively for the three age groups.

Table 3: Projections of the number of licensed day-care spaces in Canada 1984 to 1996

Rates of growth

	Children 0 - 2	Children 2 - 6	Children 6 +	Total
1983-84	10.0%	10.0%	15.0%	10.6%
1984-85	10.0%	10.0%	15.0%	10.7%
1985-86	10.0%	10.0%	15.0%	10.7%
1986-87	10.0%	10.0%	15.0%	10.7%
1987-91	25.0%	15.0%	30.0%	18.8%
1991-96	22.0%	10.0%	25.0%	15.7%

Number of licensed spaces

	Children 0 - 2	Children 2 - 6	Children 6 +	Total
1984	18,016	115,482	20,364	153,862
1985	19,817	127,031	23,419	170,267
1986	21,799	139,734	26,932	188,465
1987	23,979	153,707	30,971	208,657
1991	58,542	268,835	88,456	415,833
1996	159,128	432,961	269,946	862,035

Percentage of need met

Table 4 gives, for certain years from 1973 to 1983, estimates of the number of children whose mothers work and indicates the ratio of the number of licensed day-care spaces to this number for each of the three age groups. This ratio is one possible measure of the percentage of need met. In 1983, Health and Welfare suggests three other measures of need, the most realistic of which is the number of children whose parents either study or work at least 20 hours a week. These figures,

along with the ratio of day-care spaces to this measure of need, is also shown in table 4. By this estimate, in 1982-83, there were licensed day-care spaces for 26.0% of children aged two to six compared to only 10.1% of children under two and 1.83% of school-aged children. If need is measured by the number of children whose mothers work, the percentage of need met is 5.4% of infants, 16.1% of preschoolers and 1.3% of school-aged children.

Although the number of spaces is growing, need for day care is also growing, partly for demographic reasons but mainly because more parents, particularly mothers, are entering the labour force. This represents the continuation of a long-term trend but it is to be expected that the greater availability of licensed day-care spaces at affordable prices resulting from the proposed financing plan would accentuate this trend. In fact, the rate of growth of the number of children whose mothers work has been irregular, accelerating at the end of the period to 10% for infants and 7% for 2 to 6 year-olds. While the rate of growth of labour force participation has been relatively stable over the period there has been a "mini-baby-boom" in the last four or five years.

Table 4: Measures of need for day-care spaces and ratio of number of licensed day care spaces to need,[1] 1973 to 1983

	Children 0-3		Children 3-6		Children 6+	
	Number	L.D.C/need	Number	L.D.C/need	Number	L.D.C/need
			Children whose mothers work			
1973	239,000	1.5%	304,000	7.2%	1,537,000[2]	0.1%
1974			n.a.			
1975	250,000	4.3%	312,000	17.2%	1,805,000[3]	0.3%
1976	275,000	4.3%	345,000	18.4%	1,994,000[3]	0.4%
1977	291,000	5.2%	365,000	16.1%	2,108,000[3]	0.4%
	Children 0-2		Children 2-6		Children 6+	
1978	209,000	5.7%	486,000	12.7%	2,236,000[3]	0.4%
1979	217,000	4.1%	504,000	15.5%	2,318,000[3]	0.3%
1980	229,000	3.8%	531,000	15.8%	2,443,000[3]	0.7%
1981			n.a.			
1982			n.a.			
1983	305,172	5.4%	650,581	16.1%	1,319,822[4]	1.3%
			Children whose parents work or study at least 20 hours a week[5]			
1983	162,956	10.1%	398,945	26.0%	968,922[4]	1.8%

Source: Health and Welfare Canada, *Status of Day Care in Canada*, different years. Numbers of children needing day care are estimated by Health and Welfare Canada based on census data and on information from the Women's Bureau of Labour Canada.

Notes: 1) "L.D.C./need" is a ratio between the number of licensed day care spaces (Table 1) to the number of children needing day care. In fact, this is only an approximate measure of the percentage of need being met since many families not included here may want or need day care. On the other hand, some of the families measured here may be able to arrange parental care for their children and may not want or need day care.

2) Children aged 6 but under 14

3) Children aged 6 but under 16

4) Children aged 6 but under 13.

5) In the case of two-parent families, both parents work or study at least 20 hours a week; in the case of single-parent families, the single parent either works or studies at least 20 hours per week.

Table 5 shows projections of need for day care for 1987, 1991 and 1996 based on a rate of growth of 5% per year for both measures of need: mothers working and parents either working or studying at least 20 hours a week. Given rates of growth of 7 and 10% between 1980 and 1983, this is considered to be a conservative estimate.

Table 5: Projections of measures of need for day-care spaces and of the ratio of number of licensed day care spaces to need,[1] 1987, 1991, 1996

	Children 0-2		Children 2-6		Children 6-12	
	Number	L.D.C/need	Number	L.D.C/need	Number	L.D.C/need
			Children whose mothers work			
1987	370,940	6.5%	790,788	19.4%	1,604,257	1.9%
1991	450,881	13.0%	961,211	28.0%	1,949,990	4.5%
1996	575,450	27.7%	1,226,774	35.3%	2,488,733	10.8%
			Children whose parents work or study at least 20 hours per week			
1987	198,075	12.1%	484,922	31.7%	1,177,734	2.6%
1991	240,762	24.3%	589,428	45.6%	1,431,548	6.2%
1996	307,280	51.8%	752,275	57.6%	1,827,056	14.8%

Note: 1) "L.D.C./need" is a ratio between the number of licensed day care spaces as presented in Table 1 to the number of children needing day care as indicated in this table. In fact, this is only an approximate measure of the percentage of need being met since many families not incuded in the measure of need here may want or need day care. On the other hand, some of the families measured here may be able to arrange parental care for their children and may not want or need day care.

According to these figures, by 1996 there will be enough licensed day-care spaces for 51.8% of the infants whose parents either work or study at least 20 hours a week. the comparable figure for 2-to-6-year-olds would be 57.6% and for school-aged children 14.8%. If need is measured by the number of children whose mother works, the corresponding percentages can be expected to be much smaller. While not all parents who work or study necessarily want non-parental day care, even by 1996 there will still be considerable room for expansion especially if we consider that many families where the parents do not work will also want day care if only on a part-time basis.

4. Financial projections

Flat-rate operating grants: how they might work

The proposal is to cost-share a flat-rate grant which would be equal to half the estimated cost of operating a licensed day-care space. The federal share would be inversely proportional to an index of the province's capacity to pay. It is to be expected, however, that the per capita cost of child care will vary from province to province depending partly on the kind and quality of care each province decides to provide but mainly because salaries in day-care centres would reflect the general level of salaries in each province. To illustrate how the proposal would work, three cases are shown in Table 6.(2) Figures are expressed in 1984 dollars which means that the effects of inflation are not taken into account. It is assumed, however, that salaries, which are now scandalously low given the qualifications and the responsability required of caregivers, will be increased as a result of the greater availability of funds. The greatest improvement should occur where salaries are lowest.

The first case represents a relatively rich province where the capacity to pay is equal to or greater than the national average. It is assumed that the cost per space per day in 1986 will be $20 for a child aged 2 to 6 and that the user fee will also be $20.(3) By 1991, when the program will be completely phased-in, we could expect the operating cost to have risen to $24 per day representing a modest increase in salaries of 20% over the five-year period.(4) Half of the $24 would now be provided by a flat-rate grant of 12$ of which the federal and provincial governments would each pay $6. User fees would therefore have fallen to 12$. For handicapped and special-needs children, the objective is to maintain user fees at the same level as for 2 to 6 year-olds i.e. at $12 a day. The flat-rate grant might be as much as $24, shared 50%-50% providing a total operating budget of $36 per day. For infants, it is assumed that costs will have risen from $25 to $32, half of which will be paid by a cost-shared grant, leaving user fees at $16. For school-aged children, given that the service provided is only a part-time service, operating grants might be 6$ per day, user fees $6 a day and total budget $12 per day.(5)

In the second case, a province only somewhat poorer than the average, the cost-sharing ratio might be 60% for the federal government and 40% for the province. Between 1986 and 1991, operating cost might rise from $15 to $20 per day of which $6 would be provided by the federal government, $4 by the provincial government and $10 by the user. Salaries will have improved by 33-1/3% but would still be lower than in the richer provinces.

In the poorest provinces where initial costs and user fees are at $10 per day, the total cost might rise to $16 per day by 1991. Of the $8

Table 6: Projections of the effects of flat-rate operating grants, shared inversely to provincial capacity to pay, on total operating budget per space, day-care salaries and user fees by age group, three cases, 1986 and 1991

	1985 Kind of province			1991 Kind of province		
	Rich	Medium	Poor	Rich	Medium	Poor
			Children aged 2 to 5			
Total operating budget	$20	$15	$10	$24	$20	$16
Average inc. salaries[1]	-	-	-	20%	33%	60%
Flat-rate grant	-	-	-	$12	$10	$ 8
Federal share - %	-	-	-	50%	60%	80%
- $	-	-	-	$6	$6	$6.40
Provincial share - %	-	-	-	50%	40%	20%
- $	-	-	-	$6	$4	$1.60
User fee	$20	$15	$10	$12	$10	$ 8
			Handicapped and special-needs children			
Total operating budget	$25	$20	$15	$36	$30	$24
Flat-rate grant	-	-	-	$24	$20	$16
Federal share - $	-	-	-	$12	$12	$12.80
Provincial share - $	-	-	-	$12	$ 8	$ 3.20
User fee	$25	$20	$15	$12	$10	$ 8
			Children aged 0 to 2			
Total operating budget	$25	$20	$15	$32	$27	$22
Flat-rate grant	-	-	-	$16	$13.50	$11
Federal share - $	-	-	-	$ 8	$ 8.10	$8.80
Provincial share - $	-	-	-	$ 8	$ 5.40	$2.20
User fee	$25	$20	$15	$16	$13.50	$11
			Children aged 6 to 12			
Total operating budget	$10	$7.50	$ 5	$12	$10	$ 8
Flat-rate grant	-	-	-	$ 6	$ 5	$ 4
Federal share - $	-	-	-	$ 3	$ 3	$3.20
Provincial share - $	-	-	-	$ 3	$ 2	$ .80
User fee	$10	$7.50	$ 5	$ 6	$ 5	$ 4

1) It is assumed that the average salary of care givers will be proportionate to the increase in the total operating budget in the case of children 2-6 and 6-12. For persons taking care of infants and special-needs children, it is assumed that total budgets will increase more than for the two other groups but that salaries will increase at the same rate and that the additional funds would be used to improve child-staff ratios or other services.

flat-rate grant, 80% or $6.40 might be provided by the federal government leaving only $1.60 for the provincial government. Salaries would have risen by 60% and user fees would have fallen to $8.

It is interesting to note that while the relative positions of the three kinds of provinces stay the same, the inversely proportional cost sharing has the effect of reducing the differentials in total operating budget, staff salaries and user fees. Staff salaries increase less where they are already high and user fees decrease less where they are already low. Of course, the net effect will depend on the particular arrangement which each province makes with the federal government, how much each province is willing to spend and what restrictions they put on the way in which each centre or family-home-care agency spends the money. Some provinces may decide to set maximum user fees; others may allow each centre or service to decide for itself the tradeoff between reduced user fees and improved salaries. It is also interesting to note that, although the proportion of the grant provided by the federal government varies from 50% to 80%, the per capita amount is relatively equal because it is assumed that the poorer provinces will also spend less per day-care space in line with general salary levels in the province.

Total cost of the flat-rate operating grants

In order to estimate the cost of the flat-rate operating grants, it is necessary to estimate the number of non-profit spaces which would be eligible for such grants. Table 7 provides relevant data for the years 1973 to 1983 and gives projections for 1984 to 1996. It is assumed that the proportion of total spaces provided in family homes remains constant at 11.3%. As for commercial spaces, it is assumed that the number continues to grow at the same rate as non-profit spaces until 1986 when the new grant program is announced. In 1987 and 1988, growth slows from 10.7% to 5% as existing and potential operators realize that they will be at an increasing disadvantage relative to non-profit centres. It is assumed that there is no new growth in 1989 and that there is a net decline from 1989 to 1996 as some commercial centres disappear or convert to non-profit status.

Table 7: Number of licensed spaces in day-care centers and in family homes and distribution of center spaces by non-commercial, commercial sponsorship Actual figures for 1973-1983 and projections for 1984-1996

	Total spaces (1)	Center spaces (2)	Family home (3)	Non-comm. spaces (4)	Commer. spaces (5)	Comm. as Center (5/2)	% of Total (5/1)
1973	28,371	26,811	1,562	15,819	12,552	47.0%	44.2%
1974	55,181	50,996	4,185	33,736	21,445	42.1%	38.9%
1975	69,952	65,281	4,671	39,266	30,686	47.0%	43.9%
1976	83,520	78,153	5,367	49,629	33,891	43.4%	40.6%
1977	81,651	76,117	5,534	50,594	31,057	40.8%	38.0%
1978	82,279	74,516	7,763	49,890	32,389	43.5%	39.4%
1979	93,852	84,083	9,769	52,303	41,549	49.4%	44.3%
1980	109,141	98,238	10,903	69,626	39,515	40.2%	36.2%
1981	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1982	123,962	109,535	14,427	80,501	43,461	39.7%	35.1%
1983	139,070	123,292	15,778	89,337	49,733	40.3%	35.8%
				Projections			
1984	153,862	136,406	17,456	98,857	55,005	40.3%	35.8%
1985	170,267	150,949	19,318	109,377	60,890	40.3%	35.8%
1986	188,465	167,083	21,382	121,060	67,405	40.3%	35.8%
1987	208,657	184,984	23,673	137,882	70,775	38.3%	33.9%
1991	415,833	368,655	47,178	348,765	67,068	18.2%	16.1%
1996	862,035	764,233	97,802	802,035	60,000	7.9%	7.0%

Table 8 summarizes the projected number of spaces eligible for subsidy in 1987, 1991 and 1996 by age group and for special-needs children. It is assumed that 5% of all children aged 0 to 6 in day care will be receiving special-needs care in non-profit centres. The developmental nees of special-needs children older than 6 are assumed to be the responsability of the school system or other social services and not of the day-care system. If they require after-school day care, it is assumed that there is no cost above that estimated for a normal child.

Table 8: Projections of the number of children in subsidized spaces by age group 1987, 1991 and 1996

	Special needs	Children 0-2	Children 2-6	Children 6 +	Total
1987	8,334	17,984	83,140	27,874	137,882
1991	16,369	51,115	195,760	85,521	348,765
1996	29,604	147,072	358,039	267,320	802,035

Table 8 also assumes that only 20% of spaces for infants will be in commercial centres in 1987 since by 1983, almost half of infants were in family-home day care and therefore not in commercial centres. It is assumed, arbitrarily, that 10% of spaces for school-aged children were in commercial centres. The proportion of children aged 2 to 6 in commercial centres is calculated as a residual and comes out to 40.9% in 1987. For 1991 and 1996, it is assumed that the number of commercial spaces in each age group declines proportionately to the decline in total spaces.

Table 9 gives projections for the total amount of money the federal government might expect to spend on the cost-shared flat rate grant for each of the three years expressed in constant 1984 dollars. These figures are based on the number of spaces eligible for subsidy projected in Table 8 and the average per capita expenditures suggested in Table 6. Thus for 1987, the $4-$2-$1 formula is applied. For 1991 and 1996, it*

** For those not familiar with figures expressed in constant (1984 $ for example), this means that it is assumed that all salaries and per capita expenditures listed in the table will increase first by the amount of inflation and then by the amount shown in the table.*

Table 9: Projections of federal government expenditures on flat-rate grants 1987, 1991 and 1996 (1984 $)

Age of children	1987	1991	1996
		Amount per space	
Special needs	$1,040	$3,120	$3,120
0 to 2	$1,040	$2,100	$2,100
2 to 5	$ 520	$1,560	$1,560
6 to 12	$ 260	$ 780	$ 780
		Total expenditures ('000s $)	
Special needs	$ 9,239	$ 51,071	$ 92,364
0 to 2	$18,703	$107,342	$308,851
2 to 5	$43,233	$305,386	$558,541
6 to 12	$ 7,247	$ 66,707	$208,510
Total	$78,422	$530,505	$1,168,266

is assumed that federal expenditures are approximately $12 per day for special-needs children, $8 for infants, $6 for 2-6 year olds and $3 for school-aged children. Yearly expenditures are based on 260 days per year: i.e. $2 per day represents $520 per year.(6)

As Table 9 shows, the federal government could expect to spend about $78 million in the first year of the grant program and about $530 million at the end of the five-year phase-in period. By 1996, the cost would be a little less than $1.2 billion. After that period, the rate of growth of expenditures could be expected to slow as the rate of growth of the day-care system slows. However, the federal government might also decide at that point to increase the level of subsidies.

Start-up grants

Seven of the ten provinces now offer start-up grants to day-care centres and in some cases to supervised family homes. In addition, several provinces offer yearly equipment grants or other grants for renovation and moving. Table 10 summarizes the kinds and amounts (if fixed amounts are specified) of capital grants offered by the provinces in 1983-84.

The proposal outlined above is for the federal government to cost-share, at the same rate as for the flat-rate grants, 100% of the cost of a start-up grant. No very good information exists on what it costs to start a day-care centre. Some qualitative information was obtained from the survey on work-place day-care, from the experience of the Office des services de garde à l'enfance in Quebec and from some individual cases described to the researcher.(7) For example:

Case 1: *Building new plant in the downtown area of a major city for a centre to accomodate 50 children: $250,000 or $5,000 per child*
Equipment: $1,200 per child
+ staff and initial food and material supplies

Case 2: *Renovating high quality office space and converting a parking lot (land lent free of charge) to a playground in the downtown area of a major city; cost includes equipment, three months salary for a director, initial food and material supplies.*
Total: $250,000 to accomodate 54 children or $4,630 per child.

Case 3: *Renovation of two small buildings and two school portables plus purchase of equipment in a major city. Professional services and contractor's profits donated plus volunteer work by parents:*
Total: $65,000 to accomodate 24 children or $2,710 per child

Case 4: *Quebec capital grants were increased as of April 1, 1985 to $1,200 per child subdivided as follows:*
$600 for renovation
$300 for equipment
$200 as an initial operating fund
$100 for other start-up costs
A $20,000 grant is also available for the acquisition of property
A representative of the Office indicated that very few day-care centres are able to get started with this amount of money unless they have additional capital subsidies, for example in the public and para-public sector where any new or renovated building must have day-care space.

Table 10: Description of capital grants offered by provinces to day-care centres, 1983-84

Province	Type of grant	Amount or comment
British Columbia	Start-up, expansion, relocation or repairs to non-profit centres	Amounts not specified
Saskatchewan	Start-up grants to non-profit orgs.	Centers: $600/space Family homes: 200$/space
	Equipment grants to non-profit orgs.	Centers: $100/space/year Family homes: $50/space/year
Manitoba	Start-up grants to non-profit centres	Total expenditure: $0.7 million incl. expend. for handicapped
Ontario	Start-up and expansion to non-profit centres	Total expend.: $0.9 million On a project basis
Quebec	Start-up and expansion	$1,000/space
	Moving, renovation	$500/space + $3,000/centre
	to non-profit centres	Total expend.: $6.7 million
New Brunswick	Equipment grants to approved centres	$1,500/centre/year
Nova Scotia	Start-up grants	$100/space
	Special incentive	up to $1,500/centre
	to non-profit centres	
Newfoundland	Start-up grants to licensed centres and family homes	$500/centre Total expenditure: $8,000

Source: Status of Women Canada, Financing of Child Care in Canada, May 28-30, 1984. For Quebec: Office des services de garde à l'enfance, "Situation actuelle et perspectives de développement des services de garde à l'enfance au Québec 1983-1988", pp. 46-47.

Case 5: Major renovations to existing space in a major city plus some equipment:
Total: $173,000 for 60 children or $2880 per child.

Case 6: Major renovations to existing space including $30,000 for construction of a playground in the suburb of a major city. Does not include equipment or initial operating funds.
Total: $140,000 for 37 children or $3,780 per child.

Case 7: Major renovations to existing space plus equipment, including some second hand, and initial operating funds.
Total: $500,000 for 75 children or $6,670 per child.

In calculating start-up costs, it is also difficult to decide what proportion of initial cost should be paid out before operation begins and what proportion could be reasonably amortized over a longer period and therefore, included as part of operating costs. Certainly, all initial salary costs as well as the costs of initial materials, food and equipment with a life-expectancy of three years or less should be completely covered by start-up grants as well as a portion of the costs of renovation, acquisition of property and long-lived equipment. However, it would be reasonable to expect a day-care centre which owns its own space to include in operating costs a mortgage payment equal to what another day-care centre pays to rent equivalent space after taking account of operating costs included in rent such as major maintenance expenditures, property taxes, etc.

Table 11 indicates annual/per child payments necessary to amortize capital costs over a 20-year period according to various assumptions concerning total initial start-up costs, levels of start-up grants and different interest rates. In the cases cited above, start-up costs varied between $2,710 and nearly $7,000 per child. However, the $2,710 figure seems very much too low since many services and materials were donated in this case. Therefore, the calculations are done for three cases: $4,000 per child, $5,500 per child and $7,000 per child. Three levels of start-up grants are also used: $1,000 (the highest amount granted by a province in 1983-84), $2,000 and $3,000. Three levels of interest rates are used, based on rates observed in recent years in Canada: 10%, 12.5% and 15%. The 20-year period is chosen because it corresponds to the period allowed by Revenue Canada for amortization of buildings. However, it is assumed that 10% of start-up costs are for salaries or other non-amortizable costs and 15% are for equipment. To the extent that equipment costs are not covered by the initial grant, they are amortized over a five-year period.

Table 11: Estimates of amortization costs per space, per year for different levels of start-up costs, start-up grants and interest rates (1984 $)

Start-up grant/space	Interest rate	Total start-up costs per space $4,000	$5,500	$7,000
		Annual amortization payments per space		
$1,000	10.0%	$353	$584	$815
	12.5%	$414	$675	$936
	15.0%	$479	$771	$1,063
$2,000	10.0%	$235	$411	$587
	12.5%	$276	$483	$690
	15.0%	$320	$559	$799
$3,000	10.0%	$117	$294	$470
	12.5%	$138	$345	$552
	15.0%	$158	$399	$639

To get some perspective on what these figures mean, consider that an annual payment of $1,063 per child (the highest figure calculated) implies an annual payment of more than $53,000 for a centre with 50 children. In Table 6, it was suggested that in the richest provinces daily operating costs might be $32 for infants and $24 for preschoolers. Assuming an average of $27 (i.e. slightly more preschoolers than infants), this represents $7,020 per child per year. Amortization costs would then be 15.1% of this amount. Clearly this is too much. Day-care centres cannot afford to carry this amount of debt and they should not be paying more than 5 to 10% of their operating budget in amortization payments given that salaries represent between 80 and 85% of total costs and there are other occupancy costs of building such as heating, electricity, insurance, property taxes and maintenance.

To take a more reasonable figure, consider $483 which represents the cost to a centre with an intermediate level outlay of $5,500 per child ($275,000 for a centre for 50 children), a $2,000 start-up grant and a 12.5% interest rate. This represents an annual outlay of $24,150 for the centre and 8.1% of an annual per child operating cost of $5,980. The lowest figure calculated of $117 represents $5,850 per year for a centre of 50 children and 2.5% of an annual cost of $4,680 per child.

In the same way as for operating costs, start-up costs will vary between provinces as a function of differences in standards and costs of construction. Generally, provinces which have higher initial capital costs will also provide for higher operating costs and therefore will be able to absorb a somewhat higher amortization cost. Calculations of expenditures will be based on the assumption of an average start-up

grant of $2,000 for a center space for a child aged 0 to 6. For school-aged children, they are assumed to be only $1,000 per space, firstly because group size is larger and therefore less space is required per child, secondly because it isn't necessary to provide beds or other sleeping arrangements for this group and, thirdly, most importantly, because it is probably possible to use existing school space and recreational facilities for this group in a large number of cases. In the case of family homes, it is assumed there will be a $500 grant for children under 6 and a $250 for children over 6 mainly for equipment. Less renovation should be necessary in these cases and the provinces may be hesitant to invest because there is no guarantee that the homes will remain available for day-care for a period of time sufficient to justify the outlay. Equipment, on the other hand, can be retrieved and used in another family home.

Additional capital outlay is also needed for special-needs children. While virtually all the provinces provide funds, only a few specify amounts:(8)

Saskatchewan: $50 per month per child for equipment

Québec: $5,000 renovation grant per centre
$1,500 per child for equipment

Obviously some special-needs children do not require any special physical plant, particularly in the case of the mentally retarded as opposed to the physically handicapped. On the other hand, most special-needs children probably require special equipment even if it is only special pedagogical materials. We will therefore assume a start-up grant of $4,000 per special-needs child under 6.

It is assumed that day-care centres planning an expansion of capacity will be eligible for grants at the same level as for start-up or at a somewhat reduced level given that it is not necessary to provide for an operating fund to cover initial salary and other costs. Provinces may also want to offer grants to renew equipment every three to five years as well as for moving or other renovation after a certain period. As in the case, of operating costs, it is assumed that the provinces and the federal government will negotiate a specific agreement as to what can be cost-shared under the capital grants program.

Table 12 gives projections for federal government expenditures for start-up costs in 1987, 1991 and 1996. The first part indicates the amounts allocated for each kind of space. The second part indicates the number of new spaces of each kind created in the given year based on the projections presented in Tables 3, 4 and 6. It is assumed that spaces existing in commercial centres which convert to non-profit centres (10,775 spaces over a nine-year period) will not need start-up grants. Growth between 1987 and 1991 and between 1991 and 1996 is assumed to be exponential and therefore a greater number of spaces will be created in

Table 12: Projections of federal government expenditures on start-up grants, 1987, 1991 and 1996 (1984 $)

	1987	1991	1996
	Amount of grant per space		
Special-needs - 0-6	$ 800	$4,000	$4,000
Non-profit center 0-6	$ 400	$2,000	$2,000
Non-profit center 6+	$ 200	$1,000	$1,000
Family home 0-6	$ 100	$ 500	$ 500
Family home 6+	$ 50	$ 250	$ 250
Average federal share	100%	55%	55%
	Number of new spaces in given year		
Special needs 0-6	2,423	2,379	3,469
Non-profit center 0-6	8,868	39,058	54,904
Non-profit center 6+	3,240	16,942	45,311
Family home 0-6	1,896	6,183	10,982
Family home 6+	395	1,288	2,288
Total	16,822	65,850	116,954
	Total expenditure ('000$)		
Special needs 0-6	$1,938	$ 5,234	$ 7,632
Non-profit center 0-6	$3,543	$42,964	$60,394
Non-profit center 6+	$ 648	$ 9,318	$24,921
Family home 0-6	$ 190	$ 1,700	$ 3,020
Family home 6+	$ 20	$ 177	$ 315
Total	$6,339	$59,393	$96,282

1991 than in 1988 for example. The third part of Table 12 indicates expected expenditures in the three years assuming that the federal government offers good faith grants equal to 20% of the assumed final cost in 1987 and an average of 55% of the total cost in 1991 and 1996 when negotiations with the provinces will have been completed. No attempt has been made to estimate the costs of grants to renew equipment or for moving and renovation which does not add to capacity.

After 1996, the rate of expenditure would continue to grow at approximately the same rate as the number of places, or something on the order of 15% per year. The amount of the grant would normally move with inflation or some index of construction costs.

Cost of financial aid to parents based on income or need

In 1983-84, the federal government spent $85.6 million in aid to parents for day care through the Canada Assistance Plan (CAP). Of this amount, $77.9 million went to reduce user fees for lower income families and $7.7 million to the federal share of operating or start-up grants provided by some provinces on behalf of these same parents.(9)

As stated above, a modified version of CAP would be needed in conjunction with the flat-rate operating grants because user fees, although reduced, would continue to be quite high. The maximum per capita amount provided per child through CAP varied in 1983-84 from $8.50 in New Brunswick to $20 in the North West Territories.(10) With the reduction in user fees, the maximum subsidy to parents could also be reduced particularly in the richer provinces where user fees would probably fall the most. It would probably also not be necessary to increase the levels of income at which parents are eligible except in some provinces where they are extremely low.

As the licensed day-care system expands, it is likely that more parents will become eligible for CAP aid. However, the rate of eligibility would probably be lower than under the current program. Several studies have shown that because of the high level of user fees, day-care services are used disproportionately by low-income parents, particularly single-parent families, who are eligible for CAP subsidies, and by high-income parents who can afford the fees.(11) Most middle-income parents cannot afford day-care under the current system and it is this group for whom the introduction of flat-rate grants would most increase accessibility and affordability.

Table 13 provides an estimate of the expected growth through 1996 of federal government expenditures through CAP or a new system which would replace CAP. It assumes CAP expenditures on financial aid to parents would increase at about the same rate as the number of licensed day-care spaces, 10.0%, through 1987. By 1991, when the provinces will have negotiated a new cost-sharing arrangement inversely proportional to their capacity to pay, the federal share of this program would increase from 50% to 55% on average. Although the factors mentioned above would have the effect of reducing the proportion of families eligible for income-related aid, as well as the average amount of aid needed, there would also be an increase in the proportion of the federal share of this aid if a certain number of commercial centres converted to non-profit centres. It is therefore assumed that from 1987 to 1991, the federal expenditures on this program would increase by 16.8% compared to 18.8% for licensed day-care spaces. From 1991 to 1996, expenditure on aid to parents is assumed to grow at a rate of 12% whereas daycare spaces increase at a rate of 15.7%.

The federal share of flat-rate and capital grants to centres through the CAP program would be phased out completely as the new flat-rate and start-up grant programs became operational.

Table 13: Projections of federal expenditures on income-related subsidies to parents and on the child-care deduction 1985 to 1996
(millions of 1984$)

	Income-related subsidies			
	Aid to parents	Flat-rate grants	Total	Child-care deduction
1984	$77.9	$7.7	$85.6	$105.0
		Projections		
1985	$85.7	$8.5	$94.2	$115.5
1986	$94.3	$9.4	$103.7	$127.1
1987	$103.7	$6.3	$110.0	$139.8
1991	$193.0	$ 0	$193.0	$246.4
1996	$340.1	$ 0	$340.1	$396.8

Child-care tax deduction

In 1983-84, federal tax revenues were reduced by $105 million as a result of the deduction of child-care costs by taxpayers.(12) It is proposed that this program be left unchanged and there would therefore be an ongoing expenditure by the federal government.

At the present time, only a fraction of families who incur child-care expenses actually claim the tax deduction because their caregivers prefer not to give receipts. An expansion of licensed day-care would therefore normally increase the number of persons claiming deductions but not as rapidly as the number of spaces because some of the people moving into the licensed market were claiming tax deductions in any case even though they were using unlicensed care.

At the present time, the limit of $2,000 per child is significantly lower than the cost of full-time day care which at $10 per day comes to $2,600 per year and at $25 per day to $6,500 (upper and lower limits to user fees assumed in Table 6). Although it is expected that user fees would fall in the coming years if the flat-rate grant is instituted, they are still likely to remain above $2,000 per year for full-time care. The average deduction is likely to decrease, however, because many families use day care less than full-time, because lower-income families will continue to receive subsidies and because a larger proportion of the deductions are likely to be for school-aged children for whom user fees are lower than for pre-school children. In Table 13,

therefore, it is assumed that fiscal expenditures for the child-care deduction increase by 10% per year until 1987, by 12% per year from 1987 to 1991 and by 10% per year from 1991 to 1996.

Staff-child ratios and job creation

Standards for staff-child ratios vary from one province to another and effective ratios may be higher than the required minimums. In addition, in order to calculate the impact of the expansion of day-care on job creation, it is also necessary to count non-teaching staff: directors, maintenance personnel, office workers, cooks, etc. Employment is here based on ratios provided to the Task Force by the DPA Group: 4.15 children aged 0 to 2 per staff member, 7.77 children aged 2 to 6 and 11.57 children aged 6 to 12.(13) In addition it is assumed that in centres for pre-school children, the ratio of total staff to teaching staff is 1.4 and that for school-aged centres it is 1.2.(14)

Table 14 gives estimates of the number of persons employed in day-care centres in 1983 and projections for 1987, 1991 and 1996 using the ratios given above and without making a distinction between centre-based and family-home day-care. In 1983, it is estimated that there were 26,278 people employed in licensed day care. By 1987, this number will have increased to 38,996 without any special stimulus from the federal government. However, it is estimated that the number of jobs would double to 77,362 by 1991 and double again to 159,690 by 1996. Creation of some 120,000 permanent jobs over a nine-year period is thus an added benefit of the day-care financing proposal. To the extent that the additional monies available allow reductions in the child-staff ratios, particularly for infants and special-needs children, these figures represent a conservative estimate.

Table 14: Estimates of employment in day-care centers in Canada in 1983 and projections for 1987, 1991 and 1996

Age of children	1983	1987	1991	1996
0 to 6	24,441	35,784	68,188	131,692
6 +	1,837	3,212	9,174	27,998
Total	26,278	38,996	77,362	159,690

financing inversely proportional to the provincial capacity to pay will have the effect of stimulating more rapid growth in the poorer regions where day-care is least developped today and therefore of creating proportionally more jobs where they are most needed.

The effect on tax revenues

In the previous sections, it was suggested that the expansion of the day-care system as a result of the flat-rate grants would have the effect of raising salaries on the order of 20% to 60% over the nine-year period examined and of creating some 120,000 permanent jobs. Caregivers earning higher salaries would pay more taxes. In the case of people occupying the new jobs, the return to federal and provincial treasuries might be even greater than the additional taxes paid to the extent that these people are taken off unemployment and welfare rolls.

Table 15 provides estimates of how much of the additional federal expenditures for day care might be returned to the federal treasury through taxes and reduced welfare and unemployment expenditures. It assumes an average salary of $14,200 in 1986(15) (in 1984 dollars) increasing by $800 a year to 1991 for a total increase of 28% over five years. From 1991 to 1996, salaries are assumed to increase at a rate of 2% per year in real terms. A marginal federal tax rate of 15% is applied to the increased salaries for existing day-care workers and an average federal tax rate of 12% is applied to salaries of new day-care workers (see Appendix A for a justification of these rates).

Table 15: Estimates of returns to the federal treasury through taxes on increased salaries of day-care workers and salaries of workers occupying new jobs created in day-care centers, 1987, 1991 and 1996 ('000s 1984 $)

	1987	1991	1996
Add'l taxes - existing workers	$ 4,680	$ 46,417	$141,326
Taxes - new workers	$ 6,254	$ 65,376	$140,287
Total	$10,934	$111,793	$281,613

It is to be noted that these returns reflect only the taxes generated by the expenditure of new monies. They do not include taxes paid by day-care workers already employed at existing salaries. There would of course also be returns to provincial treasuries as a partial reimbursement of the monies invested by the provinces. Appendix A gives some idea of what these figures might be.

The start-up grants would also generate a considerable amount of employment in the construction industry, in industries supplying equipment to day-care centres and for day-care workers during the start-up period. In addition, to the extent that the increased income received by day-care workers and accruing to families benefitting from

reduced user fees is spent on goods and services produced in Canada, there would be multiplier effects which would stimulate the economy and generate additional tax revenues. No attempt has been made to measure these effects.

Total federal expenditures

Table 16 presents estimates of the total federal expenditures projected in 1987, 1991 and 1996. It shows that in the first year of the program, the federal government could expect to spend $73,827 on the good-faith operating and start-up grants programs. In 1991, when the program will have been fully phased in, the federal share of grants would be $478,105 and by 1996, it would be $982,935. Given commitments to existing programs, total expenditures on day care would be $323,627 in 1987, $917,505 in 1991 and $1,719,835 in 1996.

Table 16: Projections of total federal expenditures on day-care according to the proposed financing program, 1987, 1991 and 1996
('000s 1984$)

	1987	1991	1996
		Existing programs	
Aid to parents	$110,000	$193,000	$340,100
Tax deduction	$139,800	$246,400	$396,800
Subtotal	$249,800	$439,400	$736,900
		New programs	
Operating grants	$ 78,422	$530,505	$1,168,266
- tax returned	($10,934)	($111,793)	($281,613)
Net oper. grants	$ 67,488	$418,712	$ 886,653
Start-up grants	$ 6,339	$ 59,393	$ 96,282
Net new expend.	**$ 73,827**	**$478,105**	**$ 982,935**
		All programs	
Total	$323,627	$917,505	$1,719,835

Over a ten-year period, these expenditures would have the effect of quadrupling the number of licensed day-care spaces, of raising salaries of day-care staff by about 28% (over and above the rate of inflation), of reducing user fees by something like a third and of creating 120,000 permanent and many other temporary jobs.

No attempt has been made here to estimate provincial expenditures on day-care under the proposed program because of the wide variation to be expected in the cost-sharing proportions and in the rate of growth of day-care spaces. It is to be expected that although the poorer provinces would spend less per space, they would also have the fastest rates of growth to the extent that they now have fewer spaces. Also, some provinces already provide flat-rate grants and these would be integrated into the cost-sharing formula in different ways with different time schedules for each province. A rough estimate of total expenditures can be made assuming that the federal government would pick up 55% of all grants to day-care centres and the provinces 45%. Provincial expenditure would then amount to about $751 million in 1991 and $1,407 million in 1996 compared to $241 million in 1983-84.(16)

Footnotes

1 *Office des services de garde à l'enfance, Gouvernement du Québec, Situation actuelle et perspectives de développement des services de garde à l'enfance au Québec 1983-1988, 1983, p. 35.*

2 *See Rubin Todres Consultants Ltd., "The Price of Child Care in Canada: A National Survey", 1984, study prepared for the Federal Task Force on Child Care, p. 20. Highest costs were in Ontario ($14.70 a day for 2-5 year olds), Quebec ($12.70 plus a $3.50 per day subsidy for a total of $16.20), Manitoba ($11.80 plus $3.50 for a total of $15.30) and Alberta ($12.50 plus $3 to $6 a day depending on the age of the child). Lowest costs were in New Brunswick (about $10 a day including a $.30 subsidy) and Prince Edward Island ($11.30). Infant care is at least $5 to $12 a day more expensive, if one is to judge by the prices and subsidies in Ontario, Quebec and Alberta. The figure of $20 a day as a starting point is probably too high to represent a provincial average, but there are certainly examples of day care centers operating at that rate particularly in the municipal system in Ontario.*

3 *This figure does not take account either of flat-rate grants provided in four provinces (Alberta, Manitoba, Quebec and New Brunswick) nor of financial assistance to low-income parents to which the federal government contributes through the Canada Assistance Plan. In other words, the user fee may be shared three ways depending on the province and the income of the parent.*

4 *It is assumed that the percentage of total operating costs spent on salaries (80 to 90%) is relatively stable from province to province and year to year. and, therefore, that salaries will increase at the same rate as total operating budget. However, some centers may choose to put additional funds into higher staff-children ratios or other services or equipment.*

5 *To the extent that services are provided full time for pedagogical days or during school holidays and vacations, per capita costs, grants and user fees would all be adjusted proportionately.*

6 *In fact, day-care centers operate fewer days because of statutory holidays. However, staff have to be paid for these days. Some day-care centers charge on a weekly or monthly basis, irrespective of the number of holidays or whether the individual child actually attends. Others charge only for days when the service is provided but charge slightly more to compensate for the extra costs.*

7 *Information was provided by Jane Beach, one of the authors of the "Study on Work-related Daycare in Canada" prepared for the Task Force, by Renée Edwards member of the Task Force, and by a representative of the Office des services de garde du Québec.*

8 *Information was taken from the same sources as for Table 10.*

9 *Status of Women Canada, "Financing of Child Care in Canada", prepared for the Federal/Provincial/Territorial Conference of Ministers responsible for the Status of Women, May 28-30. 1984. Although this paper indicates only $75 million were spent by the federal government in 1983-84 (p. 3), the figure of $85.6 million is obtained by adding up the amounts listed for each province or territory separately.*

10 *Ibid.*

11 *See, for example, Regroupement des garderies de la Région 6c, Travailler juste pour payer la garderie, une étude sur la capacité financière des parents et le choix d'un mode de garde, Saint-Lambert, Québec, 1981. Julie Mathien, "Legislation and Funding" in Kathleen Gallagher Ross (ed.), Good Day Care, Toronto: The Women's Press, 1978, pp. 177-190. Kathy Rochon, Study of Child Care Services on Prince Edward Island, Department of Health and Social Services, Prince Edward Island, June 1983., pp. 26-34.*

12 *Status of Women Canada, op. cit.*

13 *The DPA Group Inc., "National Day Care Costing Model", Prepared for the Task Force on Child Care, December 1984, p. 10.*

14 *This ratio assumes a fairly large day-care center serving 48 two-to-five year-olds and 16 infants. It would need 4 educators (4 to 1 staff ratio) for the infants and 6 educators (8 to 1 ratio) for the older group. It would also employ 1 cook, 1 administrator, 1 maintenance person and the equivalent of 1 full-time person in the form of part-time personnel to cover lunch hours, early morning or late-afternoon hours and to replace personnel on sick leave or vacations. This portrait corresponds to personnel reported in "Les conditions de travail dans les garderies du Québec en 1984: le cas des garderies sans but lucratif et subventionnées" par Anne-Marie Girard, Micheline Payette, François Vaillancourt, Centre de recherche et développment en économique, Université de Montréal, 1984.*

For school-age centers, it is assumed that for a group of about 60 children, it would be necessary to hire 5 educators and 1 administrative person, maintenance work being shared among them. Children would either bring their own lunches or would eat in a cafeteria operated by the school itself.

15 *Patti Schom-Moffatt, "The Bottom Line, Wages and Working Conditions of Workers in the Formal Day Care Market", paper prepared for the Task Force on Child Care, October 1984, p. 61. According to this paper, the average wage of day-care employees in Canadian centers was $273 per week in 1984, which comes to 14,196 a year.*

16 *Status of Women Canada, Ibid.*

Appendix A

Marginal tax rates for day-care workers receiving salary increases

The following table gives marginal tax rates for an income increasing from $12,000 to $15,000. The figures are calculated for 1983 for a person filing singly and for the head of a one-parent family (two children aged 3 and 7 with $2,000 in child-care expenses) for Quebec and for a province charging 50% of the federal tax. Only basic deductions for employment related expenses (3%) unemployment insurance, Canada or Quebec Pension Plan and personal exemptions are taken into account.

	Quebec		50% province	
	Single Person	Head of one-parent family	Single Person	Head of one-parent family
Federal	14.7%	12.2%	17.6%	14.8%
Provincial	18.1%	14.1%	8.8%	7.8%
Total	32.8%	26.3%	26.5%	22.6%

Assuming that most day-care workers fall into one of these two categories (a married person whose spouse also works is considered a single person for tax purposes), a marginal federal tax rate of 15% is a reasonable estimate especially as we are considering slightly higher income levels (moving from $14,200 to $18,200).

Average tax rates for persons taking newly-created jobs

The following table gives average tax rates for the same category of persons for an income of $15.000.

	Quebec		50% province	
	Single Person	Head of one-parent family	Single Person	Head of one-parent family
Federal	7.9%	2.3%	9.7%	3.0%
Provincial	10.0%	2.1%	5.5%	2.1%
Total	17.9%	5.2%	15.2%	5.1%

However, in the case of new jobs created, one must consider not only the taxes which would be paid by the person occupying the job but also additional taxes paid by other members of the family or reductions in transfer payments.

For example, the following table gives the additional tax paid by a husband earning $24,000 whose wife takes a $15,000 job expressed as a percentage of the $15,000 earned by the wife. It is assumed that the couple have no children. If the couple had children, the husband's additional federal tax would be significantly higher because the wife's additional income would virtually eliminate the child tax credit for the family.

	Quebec	50% Province
Federal	5.4%	6.2%
Provincial	5.8%	2.4%

When added to the average tax paid by the wife, the total return to the federal treasury would be 13.3% in Quebec and 15.9% in the 50% province.

Another example, would be the case of a person who, before landing a job in a newly opened day-care center was receiving unemployment insurance. If that person had been receiving only $6,000 a year, the average return to the federal treasury would be 40% of the $15,000 salary to be added to the average tax paid by that person.

In the case of a person on welfare before getting a job, the return to the federal treasury would be approximately half of the amount received (because the federal government cost-shares welfare payments through the Canada Assistance Plan). The rate expressed as a percentage of $15,000 would vary between 5% or 6% for a young single person to 25% for the head of a one-parent family. Again these figures should be added to the average tax paid.

Because it is so difficult to estimate what proportion of the new day-care workers would come from these different groups, a figure of 12% is used, considered to be conservative estimate in a period when there are large numbers of people on welfare and unemployment insurance.

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